



# The 20 Most Important Numbers to Generate for Labor Negotiations

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Municipal Finance Institute  
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## Overview



- 60% - 80% of costs in most cities are related to employment
- In addition, benefit costs pose an existential threat to many cities
- Yet, finance professionals often struggle to be heard when it comes to bargaining strategy
- Finance professionals have the opportunity to “frame the discussion” by providing comprehensive and persuasive data prior to and during the bargaining process
- Although we promised you 20 numbers, we review here 20 areas in which numbers can help bend the curve towards financial stability

## Factfinding Criteria

"In arriving at their findings and recommendations, the factfinders 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."

Source: *California Government Code §3505.4.d*

## Top 20 Numbers to Know in Bargaining

1. Cost of Doing Nothing
2. CalPERS Pension Costs
3. CalPERS Pension Trends
4. Other Post-Employment Benefits
5. Projected 5-Year Surplus/ (Deficit)
6. Revenue Trends & Composition
7. Debt & Other Liabilities
8. Unfilled Capital Needs
9. Business Cycle
10. Reserves & Reserve Trends
11. CPI (Local/Regional/State/National)
12. Community Economic Trends
13. True Cost of 1%
14. Market Drift (Internal/External Comparators)
15. Comparability
16. Average Pay & Benefits Cost for the Unit
17. Credit Rating
18. CAFR Crosswalk
19. Service-level Sufficiency
20. Long-term Staffing Trends

# #1: Cost of Doing Nothing (Example)

- Before considering increases to wages and premiums, the City's cost of status quo is affected by the increases in contributions toward the unfunded accrued liability (UAL)
- Over the term of the proposed agreement, the City's cumulative increase in total employee cost before wages and premiums will be **6.0%** of total compensation, and will continue to climb to **8.6%** of total compensation in the two years following the proposed contract term
- Even without any further increases for active or retiree benefits, status quo costs are expected to increase at an average rate of **1.5%** year over year (YoY) over the term of the proposed agreement

	Current	FY2017-18	FY2018-19	FY2019-20	FY2020-21	FY2021-22	FY2022-23
Wages	\$17,899,842	\$17,899,842	\$17,899,842	\$17,899,842	\$17,899,842	\$17,899,842	\$17,899,842
Premiums	\$551,206	\$551,206	\$551,206	\$551,206	\$551,206	\$551,206	\$551,206
Pension	\$4,908,598	\$5,125,562	\$5,656,749	\$6,185,929	\$6,678,614	\$7,116,555	\$7,445,012
Benefits	\$6,019,983	\$6,019,983	\$6,019,983	\$6,019,983	\$6,019,983	\$6,019,983	\$6,019,983
<b>Total</b>	<b>\$29,379,629</b>	<b>\$29,596,593</b>	<b>\$30,127,780</b>	<b>\$30,656,960</b>	<b>\$31,149,644</b>	<b>\$31,587,586</b>	<b>\$31,916,043</b>
YoY % Increase	--	0.74%	1.79%	1.76%	1.61%	1.41%	1.04%
Cumulative Increase	--	0.74%	2.55%	4.35%	6.02%	7.52%	8.63%

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## #2: CalPERS Pension Cost

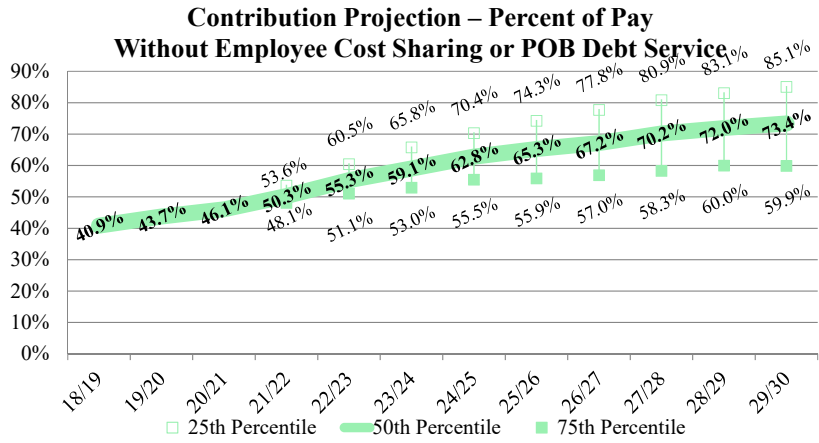
- CalPERS valuations have become increasingly useful

Fiscal Year	Required Contribution	Projected Future Employer Contributions (Assumes 7.00% Return for Fiscal Year 2018-19)				
	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
<b>Normal Cost %</b>	22.823%	22.8%	22.8%	22.8%	22.8%	22.8%
<b>UAL Payment</b>	11,570,774	12,594,000	13,500,000	14,103,000	14,730,000	15,135,000
<i>Total as a % of Payroll*</i>	<i>74.8%</i>	<i>77.8%</i>	<i>80.2%</i>	<i>81.2%</i>	<i>82.1%</i>	<i>82.1%</i>
<i>Projected Payroll</i>	<i>22,278,398</i>	<i>22,891,053</i>	<i>23,520,558</i>	<i>24,167,373</i>	<i>24,831,976</i>	<i>25,514,855</i>

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# #3: CalPERS Pension Trends

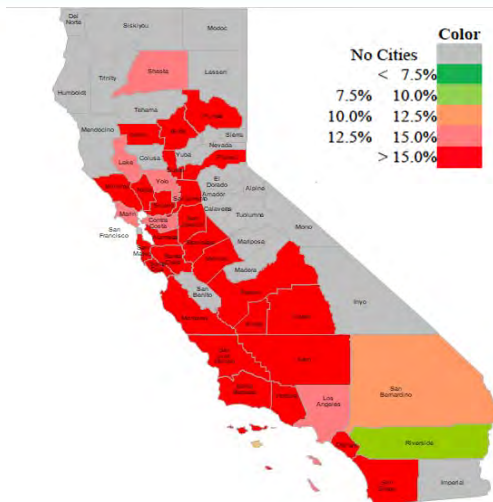
- More detailed analyses by experts (such as Bartel & Associates) continue to be useful



# #3: CalPERS Pension Trends



CALPERS CITY  
 2024/25  
 CONTRIBUTIONS  
 AS % GENERAL  
 FUND BUDGET BY  
 COUNTY



League of California Cities, "Retirement System Sustainability Study and Findings", January 2018

## #3: CalPERS Trends: Contributing Factors

- Reduced Discount Rate
- Returns Shortfall
- Increased Volatility/De-risking
- Revised Actuarial Assumptions
- Shortened Amortization Periods
- Reduced Smoothing of Losses

## #3: CalPERS Trends: Contributing Factors

Assumed Annual Return From 2018-19 through 2021-22	Projected Employer Contributions			
	2021-22	2022-23	2023-24	2024-25
<b>1.0%</b>				
Normal Cost	22.8%	22.8%	22.8%	22.8%
UAL Contribution	\$12,976,000	\$14,644,000	\$16,383,000	\$18,518,000
<b>4.0%</b>				
Normal Cost	22.8%	22.8%	22.8%	22.8%
UAL Contribution	\$12,785,000	\$14,078,000	\$15,266,000	\$16,682,000
<b>7.0%</b>				
Normal Cost	22.8%	22.8%	22.8%	22.8%
UAL Contribution	\$12,594,000	\$13,500,000	\$14,103,000	\$14,730,000
<b>9.0%</b>				
Normal Cost	23.3%	23.7%	24.1%	24.6%
UAL Contribution	\$12,477,000	\$13,197,000	\$13,534,000	\$13,801,000
<b>12.0%</b>				
Normal Cost	23.3%	23.7%	24.1%	24.6%
UAL Contribution	\$12,287,000	\$12,606,000	\$12,309,000	\$11,682,000

## #3: CalPERS Trends: Contributing Factors

Sensitivity Analysis				
As of June 30, 2018	Plan's Normal Cost	Accrued Liability	Unfunded Accrued Liability	Funded Status
7.0% (current discount rate)	32.255%	\$424,284,336	\$166,159,527	60.8%
6.0%	40.989%	\$480,792,541	\$222,667,732	53.7%
8.0%	25.683%	\$377,825,456	\$119,700,647	68.3%

## #3: CalPERS Trends: Contributing Factors

Ratio of Retiree Accrued Liability to Total Accrued Liability	June 30, 2017	June 30, 2018
1. Retiree Accrued Liability	278,445,602	304,518,361
2. Total Accrued Liability	399,202,372	424,284,336
3. Ratio of Retiree AL to Total AL [(1) / (2)]	70%	72%

Another way to look at the maturity level of CalPERS and its plans is to look at the ratio of actives to retirees. A pension plan in its infancy will have a very high ratio of active to retired members. As the plan matures, and members retire, the ratio starts declining. A mature plan will often have a ratio near or below one. The average support ratio for CalPERS public agency plans is 1.25.

Support Ratio	June 30, 2017	June 30, 2018
1. Number of Actives	162	149
2. Number of Retirees	311	323
3. Support Ratio [(1) / (2)]	0.52	0.46

## #3: CalPERS Trends: Contributing Factors

Distribution of Average Annual Salaries by Age and Service

Attained Age	Years of Service at Valuation Date						Average
	0-4	5-9	10-14	15-19	20-24	25+	
15-24	\$104,923	\$0	\$0	\$0	\$0	\$0	\$104,923
25-29	103,713	125,543	0	0	0	0	104,862
30-34	105,346	131,441	139,089	0	0	0	118,512
35-39	116,405	133,671	142,507	148,959	0	0	136,328
40-44	131,933	131,991	129,947	150,071	169,074	0	145,026
45-49	0	118,990	131,887	154,224	169,135	0	157,277
50-54	0	0	135,108	154,491	145,050	231,379	155,381
55-59	0	0	0	136,805	0	220,269	164,626
60-64	0	0	0	0	0	0	0
65 and over	0	0	0	0	0	0	0
<b>All Ages</b>	<b>\$106,683</b>	<b>\$131,312</b>	<b>\$136,537</b>	<b>\$150,551</b>	<b>\$165,510</b>	<b>\$223,972</b>	<b>\$137,833</b>

## #4: Other Post-Employment Benefits

Survey Agency	Comparable Classification	Top Step Base	POST Pay/Educ. Incent.	Uniform Allowance	Longevity (20 YOS)	Employee Cont. + Cost Share PERS		Wages + EPMC	Insurance					Total Comp	Rank
						(%)	(\$)		Health	Dental	Vision	Retiree Health	Total Insurance		
Albany	Police Officer	\$9,564	\$1,052	\$100	\$0	-13.0%	-\$1,393	\$9,323	\$1,861	\$139	\$0	\$136	\$2,136	\$11,459	5
Berkeley	Police Officer	\$10,215	\$715	\$117	\$511	-11.0%	-\$1,271	\$10,286	\$1,997	\$170	\$0	\$1,439	\$3,607	\$13,893	1
Broadmoor Police Protection District	Police Officer	\$8,400	\$630	\$0	\$0	-13.5%	-\$1,219	\$7,811	\$1,840	\$0	\$0	\$136	\$1,976	\$9,787	9
Central Marin Police Authority	Police Officer	\$7,738	\$387	\$0	\$155	-12.0%	-\$994	\$7,286	\$1,861	\$167	\$0	\$310	\$2,338	\$9,624	10
East Bay Regional Park District	Police Officer	\$9,259	\$694	\$92	\$0	-12.0%	-\$1,205	\$8,840	\$2,037	\$195	\$0	\$136	\$2,367	\$11,208	7
El Cerrito	Police Officer	\$9,040	\$452	\$63	\$614	-12.0%	-\$1,247	\$9,142	\$1,957	\$177	\$0	\$0	\$2,174	\$11,317	6
Moraga	Patrol Officer	\$8,112	\$243	\$100	\$0	-12.0%	-\$1,015	\$7,441	\$2,500	\$200	\$25	\$0	\$2,725	\$10,166	8
Piedmont	Police Officer	\$9,379	\$657	\$125	\$0	-9.6%	-\$976	\$9,184	\$1,868	\$197	\$20	\$1,547	\$3,632	\$12,816	2
Richmond	Police Officer	\$9,572	\$768	\$67	\$670	-12.0%	-\$1,329	\$9,748	\$1,861	\$123	\$18	\$136	\$2,139	\$11,886	3
KPPCSD	Police Officer	\$7,046	\$528	\$67	\$167	-4.0%	-\$312	\$7,495	\$1,872	\$203	\$32	\$1,872	\$3,980	\$11,475	4
	Median (Excluding KPPCSD)	\$9,259						\$9,142					\$11,317		
	Variance from Median	-23.91%						-18.02%					1.40%		
	Average (Excluding KPPCSD)	\$9,031						\$8,794					\$11,351		
	Variance From Average	-21.98%						-14.68%					1.10%		

## #4: Other Post-Employment Benefits

### Summary of Key Valuation Results

	2018	2017
<b>Disclosure elements as of measurement period ending June 30:</b>		
<u>Present Value of Future Benefits:</u>		
Active	\$1,823,778	\$3,032,051
Retiree	<u>2,739,271</u>	<u>2,363,670</u>
Total	\$4,563,049	\$5,395,721
<u>Actuarial Accrued Liability or Total OPEB Liability (TOL)</u>		
Active	\$989,931	\$1,735,869
Retiree	<u>2,739,271</u>	<u>2,363,670</u>
Total	\$3,729,202	\$4,099,539
Plan Fiduciary Net Position (i.e Fair Value of Assets)	<u>1,175,071</u>	<u>843,504</u>
Net OPEB Liability (NOL)	\$2,554,131	\$3,256,035
Plan Fiduciary Net Position as a percentage of the TOL	32%	21%
Aggregate OPEB Expense (Exhibit 3)	\$207,837	\$388,568
Covered Payroll	N/A	N/A

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## #4: Other Post-Employment Benefits

### Actuarially Determined Contribution

	2018-19	2019-20	2020-21
<u>Current Plan</u>			
Normal Cost End of Year	\$99,929	\$104,925	\$110,171
Amortization of UAAL	<u>194,174</u>	<u>198,690</u>	<u>203,275</u>
Actuarially Determined Contribution	\$294,103	\$303,615	\$313,446
<u>Freeze Kaiser</u>			
Normal Cost End of Year	N/A	\$51,222	\$53,783
Amortization of UAAL	N/A	<u>91,968</u>	<u>94,083</u>
Actuarially Determined Contribution	N/A	\$143,190	\$147,866
<u>Fiat \$1000</u>			
Normal Cost End of Year	N/A	\$46,039	\$48,341
Amortization of UAAL	N/A	<u>94,864</u>	<u>97,065</u>
Actuarially Determined Contribution	N/A	\$140,903	\$145,406

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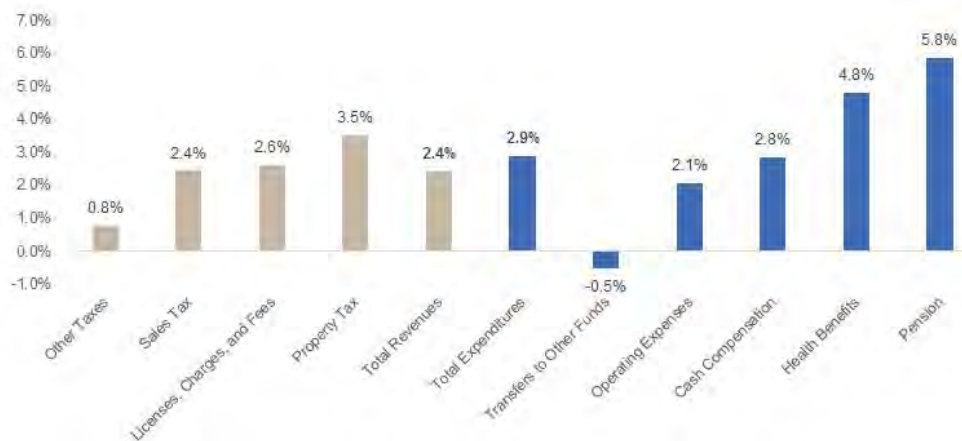


# #5: Projected 5-Year Surplus/(Deficit)

	FY19 Budget	FY20 Proj.	FY21 Proj.	FY22 Proj.	FY23 Proj.	FY24 Proj.	FY25 Proj.	FY26 Proj.	FY27 Proj.	FY28 Proj.
<b>Operating Revenues</b>	\$135.9	\$139.3	\$142.1	\$145.0	\$147.8	\$151.6	\$155.8	\$159.8	\$163.9	\$168.1
<b>Operating Expenditures</b>	\$138.6	\$140.5	\$144.6	\$149.4	\$154.9	\$158.9	\$164.2	\$168.5	\$174.3	\$178.6
<b>Net Operating Results</b>	(\$2.8)	(\$1.2)	(\$2.5)	(\$4.4)	(\$7.1)	(\$7.2)	(\$8.3)	(\$8.7)	(\$10.4)	(\$10.5)
<b>Operating Reserve</b>	\$9.6	\$8.4	\$5.8	\$1.4	(\$5.6)	(\$12.8)	(\$21.2)	(\$29.9)	(\$40.3)	(\$50.8)

# #5: Projected 5-Year Surplus/(Deficit): Drivers

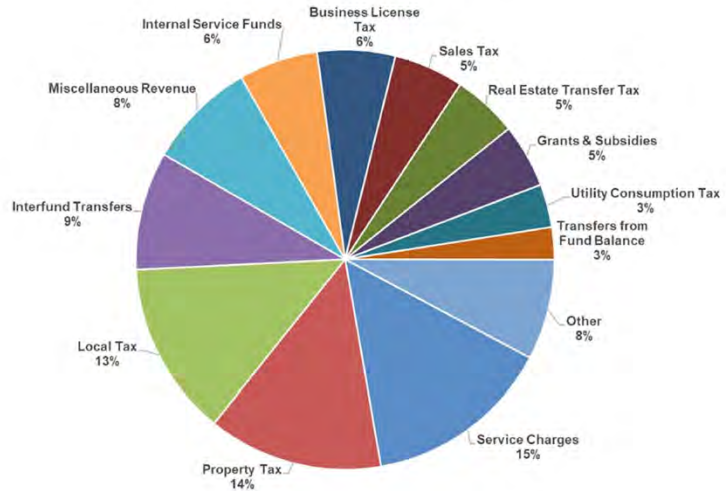
Major Budget Drivers for City Y – Compound Annual Growth Rate (CAGR), FY19 – FY28  
Prior to Corrective Action



# #6: Revenue Trends and Composition

- How recession proof is your revenue?

**FY 2019-20 Adopted Budget Revenues by Category**

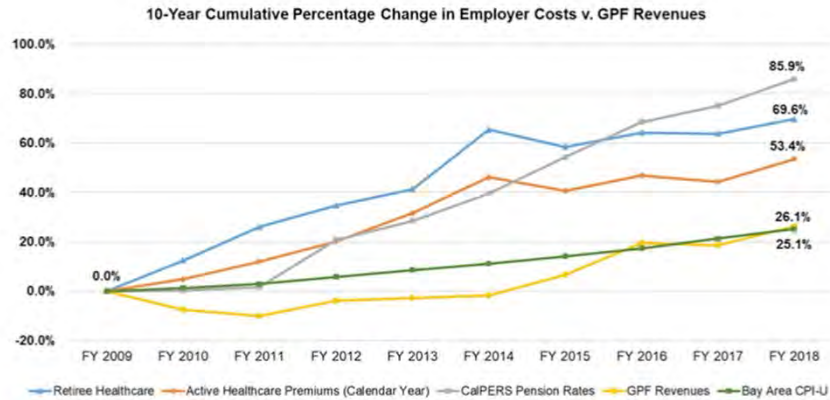


# #6: Revenue Trends & Compositions

Category	FY09 Actual	FY10 Actual	FY11 Actual	FY12 Actual	FY13 Actual	FY14 Actual	FY15 Actual	FY16 Actual	FY17 Actual	FY18 Actual	10-Year CAGR**
Property Tax	\$134.47	\$131.78	\$126.68	\$138.80	\$154.14	\$142.82	\$159.36	\$158.69	\$171.48	\$187.17	3.7%
Sales Tax	\$46.12	\$35.88	\$41.24	\$44.74	\$48.82	\$49.76	\$51.82	\$55.23	\$53.70	\$57.47	2.5%
Vehicle License Fee	\$1.28	\$1.25	\$2.17	\$0.22	\$0.00	\$0.00	\$0.18	\$0.17	\$0.19	\$0.22	-17.8%
Business License Tax	\$54.29	\$54.14	\$53.14	\$58.71	\$60.37	\$62.91	\$66.85	\$75.50	\$75.84	\$86.11	5.3%
Utility User Tax	\$52.70	\$51.11	\$53.44	\$51.43	\$50.75	\$50.42	\$50.59	\$51.01	\$52.62	\$52.05	-0.1%
Real Estate Transfer Tax	\$34.27	\$36.97	\$31.61	\$30.65	\$47.41	\$59.06	\$62.71	\$89.59	\$79.07	\$77.66	9.5%
Transient Occupancy Tax	\$10.46	\$8.47	\$9.54	\$10.74	\$12.34	\$14.32	\$16.79	\$19.81	\$22.37	\$23.58	9.5%
Parking Tax	\$7.66	\$7.52	\$8.51	\$8.62	\$7.95	\$8.44	\$9.34	\$10.22	\$10.64	\$10.80	3.9%
Licenses & Permits	\$1.28	\$0.72	\$0.89	\$1.16	\$1.37	\$1.39	\$1.57	\$1.59	\$1.80	\$2.38	7.1%
Fines & Penalties	\$25.72	\$27.35	\$24.29	\$24.25	\$23.06	\$22.20	\$23.04	\$21.74	\$21.69	\$18.47	-3.6%
All Other Revenue*	\$99.99	\$77.84	\$69.34	\$80.72	\$48.84	\$48.87	\$56.94	\$75.70	\$66.14	\$74.75	-3.2%
<b>Total</b>	<b>\$468.25</b>	<b>\$433.03</b>	<b>\$420.85</b>	<b>\$450.03</b>	<b>\$455.06</b>	<b>\$460.19</b>	<b>\$499.20</b>	<b>\$559.27</b>	<b>\$555.53</b>	<b>\$590.68</b>	<b>2.60%</b>

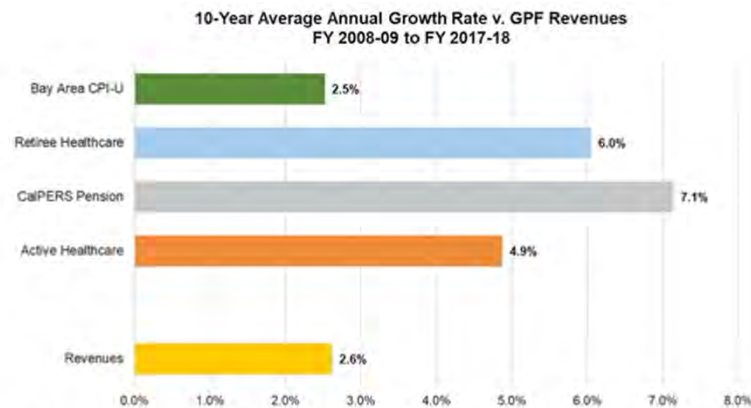
\* Includes Interest, Service Charges, Grants & Subsidies, Interfund Transfers, and Miscellaneous Revenues.  
 \*\* CAGR = Compound Annual Growth Rate

## #6: Revenue Trends & Compositions



Sources: Actuarial Valuation of the City of Oakland Postretirement Health Insurance Plans (FY 2009-2018), Bartel Associates, Historical CalPERS Premiums (Kaiser Single), Miscellaneous Plan of the City of Oakland, CalPERS Annual Valuation Reports FY 2009-2018, City of Oakland Finance Department and US Bureau of Labor Statistics, Regional CPI-U (Change in Average Annual Index Measured 2008 to 2018).

## #6: Revenue Trends & Compositions



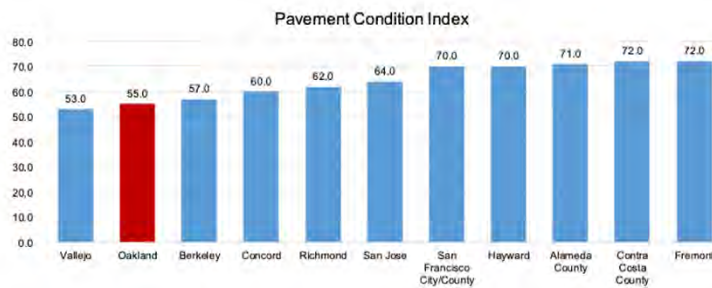
Sources: Actuarial Valuation of the City of Oakland Postretirement Health Insurance Plans (FY 2009-2018), Bartel Associates, Historical CalPERS Premiums (Kaiser Single), Miscellaneous Plan of the City of Oakland, CalPERS Annual Valuation Reports FY 2009-2018, City of Oakland Finance Department and US Bureau of Labor Statistics, Regional CPI-U (Change in Average Annual Index Measured 2008 to 2018).

## #7: Debt & Other Liabilities

- Contextualizing debt & other liabilities for labor negotiations
- Important to understand which obligations ultimately become obligations of the General Fund
  - Revenue Bonds
  - Lease-Lease Back Arrangements
  - Certificates of Participation
  - Workers' Compensation Liabilities
  - Self-Insurance Liabilities & Insurance Premiums
  - Compensated Absences

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## #8: Unfilled Capital Needs



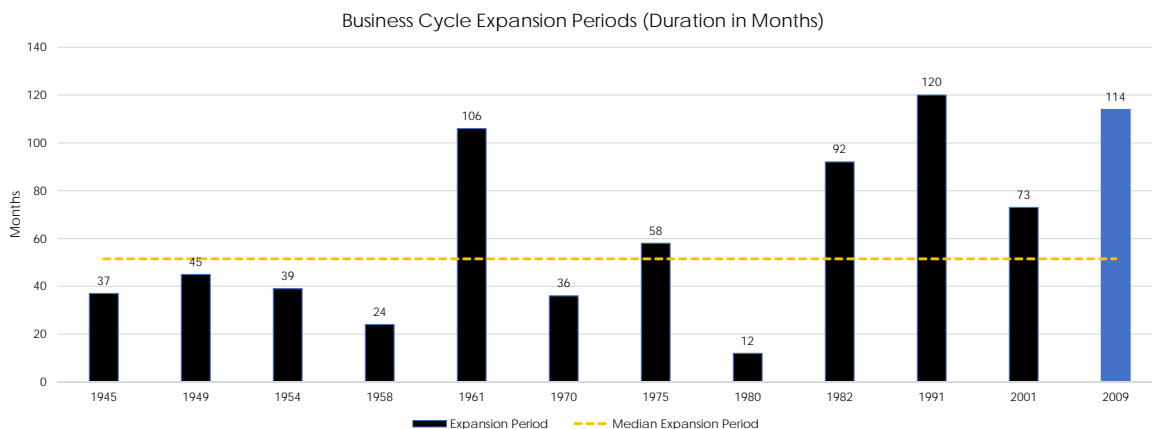
<b>Very Good-Excellent (PCI = 80-100)</b>	Newly constructed for resurfaced pavement with few signs of distress.
<b>Good (PCI = 70-79)</b>	Pavement requiring mostly preventive maintenance and showing only low levels of distress.
<b>Fair (PCI = 60-69)</b>	Pavement at the low end of this range is significantly distressed and may require a combination of rehabilitation and preventive maintenance.
<b>At Risk (PCI = 50-59)</b>	Deteriorated pavement requiring immediate attention, including rehabilitative work.
<b>Poor (PCI = 25-49)</b>	Pavement showing extensive distress and requiring major rehabilitation or reconstruction.
<b>Failed (PCI = 0-24)</b>	Extremely rough pavement that needs complete reconstruction.

Source: MTC Pavement Condition Report for Bay Area Counties (September 2018)

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## #9: Business Cycle AB to choose slide

Since 1945, the average expansionary period lasted **58.4 months** across 11 business cycles. The current expansion has lasted **124 months** as of November 2019.



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## #9: Business Cycle AB to choose slide

- The 10-Year to 2-Year Treasury spread can be a leading indicator of economic recession. On August 27, 2019, the 10-2 spread was negative 0.04%, signaling a potentially greater likelihood of bad credit event in near-term (2 years) than over a long-term perspective (10 years)



Current (9/27/19) 10 yr to 2 yr spread is 0.06%.

Sources: Federal Reserve Bank of St. Louis, Economic Research; National Bureau of Economic Research

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# #10: Reserves and Reserve Trends

- Is there an adopted local policy?
- The Government Finance Officers Association (GFOA) nationally recommends, at a minimum, that general-purpose governments, regardless of size, maintain unrestricted budgetary fund balance in their general fund of no less than two months of regular general fund operating revenues or regular general fund operating expenditures
- Actual reserve level should be based on locally specific circumstances
  - California-Specific Risks
    - Limited revenue flexibility
    - Designated Responsibilities – For Counties, for example, State has shifted responsibility and funding to incarcerate and rehabilitate certain low-level offenders who earlier were a state responsibility
  - Community-Specific Risks
    - Known economic transitions?
    - Natural Disaster Exposure (fire, mudslides, earthquakes)
- This late into the business in the business cycle, it is prudent to carry higher reserve levels

*The adequacy of unrestricted fund balance in the general fund should take into account each government's own unique circumstances. For example, governments that may be vulnerable to natural disasters, more dependent on a volatile revenue source, or potentially subject to cuts in state aid and/or federal grants may need to maintain a higher level in the unrestricted fund balance.*

- GFOA Best Practice: "Fund Balance Guidelines for the General Fund"

# #11: CPI: "Market Basket" Concept

## An Average Consumer's Spending

Each shape below represents how much the average American spends in different categories. Larger shapes make up a larger part of spending.

🔍 ZOOM IN   🔍 ZOOM OUT

Color shows change in prices from March 2007 to March 2008  
-10%   -2   0   +2   +4   +6   +10   +20   +40%

### Food and beverages 15%

The high price of oil is a factor that has made food prices rise quickly.

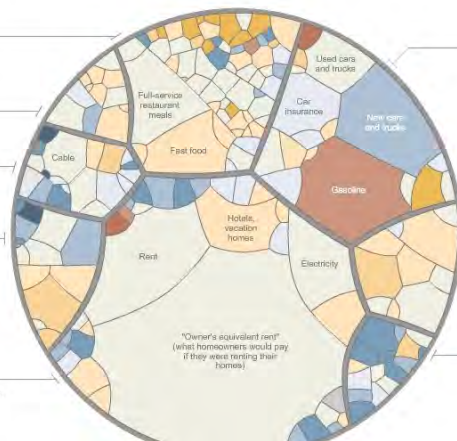
### Miscellaneous 3%

### Recreation 6%

**Education/Communication 6%**  
Cellphones were added to the index in 1997. Because the Consumer Price Index can be slow to add new goods, which are often cheaper, it may overstate parts of inflation.

### Housing 42%

In the C.P.I., home ownership costs track rent prices more closely than housing prices. This means inflation may have been understated when home prices were rising faster than rents.



### Transportation 18%

Gas is 5.2 percent of spending nationwide, but only 3.8 percent in the New York area.

### Health care 6%

As a group, the elderly spend about twice as much of their budget on medical care.

### Apparel 4%

The ratio of spending on women's clothes to that on men's clothes is about 2 to 1.



# #11: CPI: Whose Market Basket?

- **CPI-U: All Urban Consumers**

- Excludes rural, nonmetropolitan areas, farm families, persons in the Armed Services, and those in institutions (e.g., prisons, mental hospitals)
- Approx. 87% of U.S. population

- **CPI-W: Wage and Clerical Workers**

- More than half of household income from hourly clerical or wage occupations and at least one household member employed 37 weeks of last 12 months
- Excludes retirees, self-employed, unemployed, professional, managerial, and technical workers, etc.
- Approx. 32% of U.S. population

- **Geographies**

- National
- Regional (e.g., West)
- Area (e.g., Los Angeles-Long Beach-Anaheim, San Francisco-Oakland-Hayward, Riverside-San Bernadino-Ontario, San Diego-Carlsbad)

*“Metropolitan areas indexes have a relatively small sample size and, therefore, are subject to substantially larger sampling errors.*

*Metropolitan area and other sub-components of the national indexes (regions, sub-classes) often exhibit greater volatility than the national index.”*

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# #11: CPI: “Upper Bound” Measure

- **Potential limitations of CPI as a measure of “cost of living**

- New product bias
- Retail outlet bias
- Quality change bias
- Substitution bias (among brands, across time, within category, across categories)

- **BLS approaches (selected)**

- Hedonic regression
- Chained CPI-U (C-CPI-U)

*“Traditionally, the CPI was considered an upper bound on a cost-of-living index in that the CPI did not reflect the changes in buying or consumption patterns that consumers would make to adjust to relative price changes...”*

*The C-CPI-U was created to more closely approximate a cost-of-living index by reflecting substitution among item categories.”*

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# #12: Community Economic Trends

- **Criteria:** “The interests and welfare of the public and the financial ability of the public agency.”
- Recognize linkage between financial ability of the public agency & the interests and welfare of the public.
- Agencies can “afford” most wage proposals...but at what cost in terms of services & programs?

	Median Household Income	Median Home Value	Unemployment Rate (July 2019)	% of Families Below Poverty Level	Pavement Condition Index
Alameda County	\$96,296	\$781,000	3.3%	5.9%	71.0
Berkeley	\$86,497	\$993,500	3.2%	6.9%	57.0
Concord	\$89,118	\$572,800	3.2%	3.7%	60.0
Contra Costa County	\$95,339	\$642,300	3.4%	6.5%	72.0
Fremont	\$127,235	\$927,500	2.8%	3.3%	72.0
Hayward	\$89,925	\$595,500	3.7%	4.0%	70.0
Richmond	\$67,102	\$495,400	3.8%	11.6%	62.0
San Francisco City/County	\$110,816	\$1,104,100	2.4%	5.1%	70.0
San Jose	\$104,675	\$854,700	2.9%	5.8%	64.0
Vallejo	\$65,493	\$373,100	4.7%	8.6%	53.0
<b>Oakland</b>	<b>\$70,577</b>	<b>\$686,700</b>	<b>3.8%</b>	<b>11.6%</b>	<b>55.0</b>
<b>Median (Excl. Oakland)</b>	<b>\$92,632</b>	<b>\$711,650</b>	<b>3.3%</b>	<b>5.9%</b>	<b>67.0</b>
<b>Oakland Variance</b>	<b>-23.8%</b>	<b>-3.5%</b>	<b>16.9%</b>	<b>98.3%</b>	<b>-17.9%</b>
<b>Rank</b>	<b>9 of 11</b>	<b>6 of 11</b>	<b>10 of 11 (tied)</b>	<b>11 of 11 (tied)</b>	<b>10 of 11</b>

Source: US Census Bureau, American Community Survey, 2017 1-Year Estimates; California Employment Development Department City Unemployment Rates, July 2019; MTC Pavement Condition Report for Bay Area Counties (September 2018)

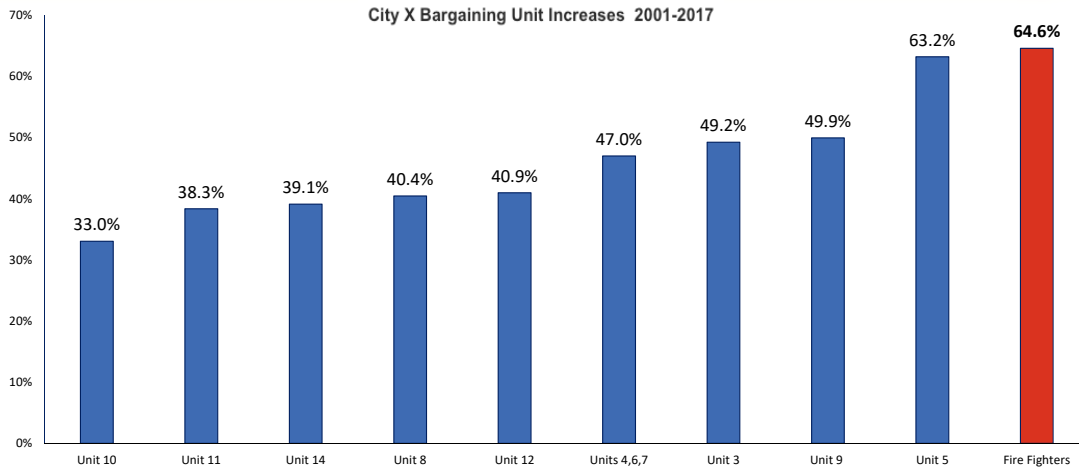
# #13: True Cost of 1%

Compensation	Base Amount	Base Plus 1% of Salary	1% Increase
Salaries & Recurring Special Pay	14,979,956	15,129,755	
Uniform Allowance	-	-	
Holiday Pay	762,560	770,186	
Other Compensation-non PERSable	-	-	
<b>Subtotal Compensation</b>	<b>\$ 15,742,516</b>	<b>\$ 15,899,942</b>	<b>\$ 157,425</b>
<b>Benefits</b>			
Medicare	226,136	228,397	
State Unemployment	13,908	14,047	
Workers' Compensation	973,564	983,300	
Health	2,889,895	2,889,895	
Dental	239,420	239,420	
Life	2,295	2,295	
Long Term Disability	51,876	51,876	
PERS Retirement	6,585,845	6,651,704	
PERS 4th Level	-	-	
Vision	-	-	
EAP	5,235	5,235	
Retiree Health	798,475	806,459	
<b>Subtotal Benefits</b>	<b>\$ 11,786,648</b>	<b>\$ 11,872,627</b>	<b>\$ 85,979</b>
<b>TOTAL Compensation &amp; Benefits</b>	<b>\$ 27,529,165</b>	<b>\$ 27,772,569</b>	<b>\$ 243,404</b>

- What costs rise with a salary increase?
  - Payroll taxes
  - PERS
  - Unemployment Insurance?
  - Workers' Comp?
  - Overtime?
  - Differentials?
  - Other?



# #14: Drift (Internal/External) Comparators



# #14: Drift (Internal/External) Miscellaneous

City/County	FY 2017/2018	FY 2018/2019	FY 2019/2020
Los Angeles (City)	2.25%	2.25%	NA
Los Angeles (County)	2%	2%	NA
San Diego (City)	0%	3.30%	3.30%
Fresno (City)	2.50%	2.50%	2.50%
Fresno (County)	---	3%	3%
San Francisco (City and County)	3%	3%	NA
Oakland	4%	1-2% (trigger)	NA
San Jose	3%	5%	3%
Bakersfield	0%	0%	NA
Santa Rosa	3%	3%	2.50%
Long Beach	2%	2%	NA
Sacramento (City)	2%	2%	NA
Sacramento (County)	2-5% (CPI)	NA	NA

# #14: Drift (Internal/External) POA

City/County	FY 2017/2018	FY 2018/2019	FY 2019/2020
Los Angeles (City)	4%	4.5-5%	NA
Los Angeles (County)	3-4%	2%	2.5%
San Diego (City)	0	3.3%	3.3%
Fresno (City)	5% (step)	3%	NA
Fresno (County)	5%	5%	5%
San Francisco (City and County)	2%	3%	3%
Oakland	3.5%	4%	2.50%
San Jose	10%	3.25%	3%
Bakersfield	0%	0%	NA
Santa Rosa	3.5%	3.5%	NA
Long Beach	3%	3%	NA
Sacramento (City)	3%	2%	NA
Sacramento (County)	2-5% (CPI)	4%	3%

# #15: Comparability

Survey Agency	Comparable Classification	Top Step Base	POST / Educ. Inc.	Holiday Pay	Uniform Allowance	Longevity (20 YOS)	EPMC		Wages + EPMC	Deferred Comp	Insurance Benefits				Benefits Total	Total Comp	Rank
							(%)	(\$)			Medical	Dental	Vision				
Alameda	Police Officer	\$9,662	\$484	\$669	\$167	\$1,205	-6.0%	-\$731	\$11,455	\$0	\$2,458	\$144	\$24	\$2,626	\$12,836	5	
Albany	Police Officer	\$9,564	\$478	\$598	\$100	\$980	-4.0%	-\$469	\$11,251	\$0	\$2,133	\$156	\$0	\$2,289	\$13,540	2	
Burlingame	Police Officer	\$9,090	\$636	\$534	\$93	\$0	-4.0%	-\$414	\$9,929	\$65	\$1,997	\$104	\$88	\$2,254	\$12,183	9	
Daly City	Police Officer	\$9,412	\$659	\$706	\$75	\$100	-2.0%	-\$219	\$10,733	\$0	\$1,939	\$0	\$13	\$1,951	\$12,684	7	
Foster City	Police Officer	\$9,913	\$500	\$535	\$75	\$0	0.0%	\$0	\$11,023	\$0	\$1,883	\$0	\$0	\$1,883	\$12,906	4	
Milbrae	No Comparable Class																
Pacifica	Police Officer	\$7,970	\$736	\$0	\$67	\$0	-4.0%	-\$351	\$8,422	\$14	\$1,985	\$119	\$48	\$2,166	\$10,587	11	
Redwood City	Police Officer	\$11,467	\$0	\$0	\$0	\$860	-7.0%	-\$863	\$11,464	\$0	\$1,798	\$111	\$12	\$1,921	\$13,385	3	
San Bruno	Police Officer	\$9,807	\$834	\$0	\$79	\$0	0.0%	\$0	\$10,720	\$0	\$2,129	\$0	\$0	\$2,129	\$12,849	5	
San Mateo	Police Officer	\$10,639	\$745	\$0	\$75	\$0	5.2%	\$596	\$12,055	\$0	\$1,798	\$250	\$23	\$2,071	\$14,126	1	
South San Francisco	Police Officer	\$9,355	\$702	\$0	\$92	\$0	-2.0%	-\$203	\$9,945	\$0	\$2,272	\$167	\$25	\$2,463	\$12,408	8	
Brisbane	Police Officer	\$8,060	\$806	\$484	\$0	\$0	0.0%	\$0	\$9,350	\$202	\$2,699	\$95	\$31	\$2,825	\$12,175	10	
Median (Excluding Brisbane)		\$9,613							\$10,878					\$12,843			
Variance from Median		-16.15%							-14.05%					-5.22%			
Average (Excluding Brisbane)		\$9,688							\$10,700					\$12,750			
Variance From Average		-16.80%							-12.62%					-4.52%			

## #16: Average Pay and Benefits Cost for the Unit

	Firefighter	All Ranks in Unit
Base Salary	\$91,932	\$105,973
Longevity	\$31	\$582
Overtime	\$28,967	\$36,973
Timecard Special Pay	\$7,200	\$7,433
Education Pay	\$652	\$3,563
Paramedic Pay	\$5,171	\$2,948
Other Compensation	\$1,078	\$1,450
Uniform Allowance	\$120	\$219
<b>Total Cash</b>	<b>\$135,151</b>	<b>\$159,142</b>
Active Health	\$22,527	\$24,324
Retiree Health	\$5,729	\$6,603
Pension	\$29,983	\$33,887
Medicare	\$1,960	\$1,960
Life Insurance	\$17	\$17
Workers' Compensation	\$8,053	\$9,528
Unemployment Compensation	\$121	\$143
<b>Total Benefits</b>	<b>\$68,389</b>	<b>\$76,460</b>
<b>Total Employment Cost</b>	<b>\$203,540</b>	<b>\$235,602</b>

- How does this compare to the Median Household Income in the community?

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## #16: Average Pay and Benefits Cost for the Unit

- **Overtime:** Fire fighters' overtime (inclusive of all job titles within the bargaining unit) averaged **\$39,610** per member in overtime, excluding employees with less than one year of service
- **Timecard Special Pay:** Bargaining Unit member's earned an average of **\$7,269** for additional pay premiums for acting assignments and Holiday in Lieu Pay
- **Holiday Pay:** Fire fighters, Fire Engineers, Fire Captains and Fire Captain training paid 16.8 hours in "Lieu Holiday Pay" for each designated holiday. Fire Inspector/Investigator on duty on a recognized holiday receive additional flat rate of \$50.00 per holiday worked
- **Longevity:** At completion of 19<sup>th</sup> year, unit members receive an additional 2% of base pay
- **Sick Leave Incentive:** Bargaining unit shift work members using 56 hours or less in a year earn one (1) 24-hour shift of pay at member's hourly rate; 40 hour/week members earn 17 hours of pay if use 25 hours or less of sick time in a year.
- **Bilingual:** Unit members designated as proficient in Spanish receive 3.0% premium pay in addition to the unit member's base pay
- **Education:** Unit members with an Associates degree receive 3% premium pay (90 credits required for Fire Captains) and 6% for a Bachelor's degree
- **Paramedic:** Unit members who are licensed by the State of California as an EMT-P receive 10% premium pay when filling a regular paramedic position or when temporarily filling a vacancy
- **SCBA:** Unit members assigned to the Self-Contained Breathing Apparatus (SCBA) program receive 3% premium
- **Other Cash Compensation:** Telestaff Pay, Voluntary Response, Hold Over Pay, Call Back Premium, Scheduled-Unworked Overtime, Recalled to Duty, Acting Assignments, Specialist or Technician assignment, Paramedic pay (when filling an assignment or temporary vacancy)

Overall, including all cash compensation, the average Local 1401 Fire Fighter earned **\$159,934** in CY2018 and the average bargaining unit member overall earned **\$160,074**

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# #17: Credit Rating (Ok, it's a letter not a number)



## Fitch Ratings January 2019 Report on: How Prepared Are California Credits For The Next Recession?

### City Ratings and Assessments

City / County	Issuer Default Rating	Revenue Framework	Expenditure Framework	Long-Term Liabilities
Alameda County	AAA	a	aaa	aa
Hayward	AA+	a	aa	aa
San Francisco (City/County)	AA+	aa	aa	aa
San Jose	AA+	a	a	aa
<b>Oakland</b>	<b>AA-</b>	<b>a</b>	<b>a</b>	<b>a</b>

Revenue Framework	aaa	aa	a
Growth Prospects for Revenues	Strong	Solid	Slow
Without Revenue-Raising Measures	Growth in line with or above the level of U.S. economic performance	Growth below U.S. economic performance but above the level of inflation	Growth in line with the level of inflation

Expenditure Framework	aaa	aa	a
Natural Pace of Spending Growth Relative to Expected Revenue Growth (Based on Current Spending Profile)	Slower to equal	In line with to marginally above	Above

Long-Term Liabilities	aaa	aa	a
Combined Burden of Debt and Unfunded Pension Liabilities in Relation to Resource Base	Low	Moderate	Elevated but still in the moderate range
	Liabilities less than 10% of personal income	Liabilities less than 20% of personal income	Liabilities less than 40% of personal income

Source: How Prepared Are California Credits for the Next Recession? Fitch Ratings Report dated January 18, 2019

# #18: CAFR Crosswalk

**Adjusted Budget**  
\$742.04 million

**Actual Revenues**  
\$765.88 million

**Variance**  
\$23.84 million

Revenues in Excess of Projections			
Fund	Description	Variance	Restrictions
1870	Affordable Housing Trust Fund	\$7,358,221	Impact Fees - Capital Projects (Restricted)
1870	Affordable Housing Trust Fund	\$1,800,000	Land Sale - One Time Revenues (Restricted)
1750	Multipurpose Reserve	\$1,137,655	Car Share - One Time Revenues (Restricted)
1100	Self Insurance Liability	\$1,630,934	Insurance Settlement (Restricted)
1030	Measure HH (SSBDT)	\$5,140,384	Soda Tax - Healthy Living (Restricted)
1010	One-time Revenues	\$7,077,152	Limited in Use Per CFP/Policies
<b>Total</b>		<b>\$24,144,346</b>	

**These resources are NOT available for ongoing personnel cost.**

# #18: CAFR Crosswalk

**City of Oakland  
Statement of Activities  
Year Ended June 30, 2018  
(In thousands)**

Function/Program	Program Revenue				Net (Expense) Revenue and Changes in Net Position			Component Unit Part of Oakland
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Property taxes					340,573	-	340,573	-
State taxes (unrestricted intergovernmental revenues)								
Sales and use taxes					85,500	-	85,500	-
Gas tax					10,867	-	10,867	-
Motor vehicle in-lieu					224	-	224	-
Local taxes (own source revenues)								
Business license					86,107	-	86,107	-
Utility consumption					52,047	-	52,047	-
Real estate transfer					77,663	-	77,663	-
Transient occupancy					30,039	-	30,039	-
Parking					21,137	-	21,137	-
Vote approved special tax					50,469	-	50,469	-
Franchise					19,124	-	19,124	-
Interest and investment income					11,762	727	12,489	5,109
Other					42,362	-	42,362	38,315
Transfers					1,280	(1,280)	-	-
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>					<b>870,196</b>	<b>(765)</b>	<b>870,461</b>	<b>43,424</b>
Changes in net position					125,803	14,641	140,444	83,756
Net position - beginning, as previously reported					(93,045)	208,019	114,974	1,201,796
Quantitative effect of change in accounting principle					(702,148)	(10,056)	(712,204)	(84,505)
Net position - beginning, as restated					(795,213)	197,963	(597,250)	1,117,291
<b>NET POSITION - ENDING</b>					<b>\$ (669,410)</b>	<b>\$ 212,604</b>	<b>\$ (456,806)</b>	<b>\$ 1,200,987</b>

Source: City of Oakland, Comprehensive Annual Financial Report FY 2017-18 Page 24

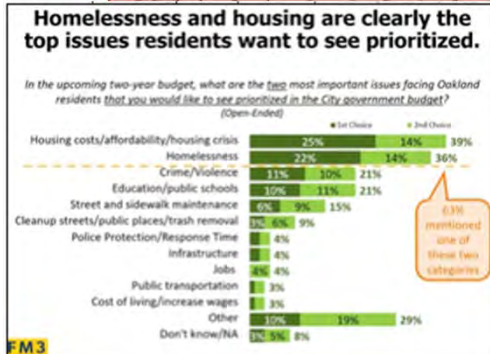
# #19: Service-level Sufficiency

• Homelessness

- 47% increase in Oakland's homeless populations between 2017 and 2019. Oakland's per capita homelessness rate is higher than San Francisco and Berkeley per 2019 point in time survey
- Affordable and Safe Housing
- Streets and Sidewalks Infrastructure
- Illegal Dumping
- Public Safety

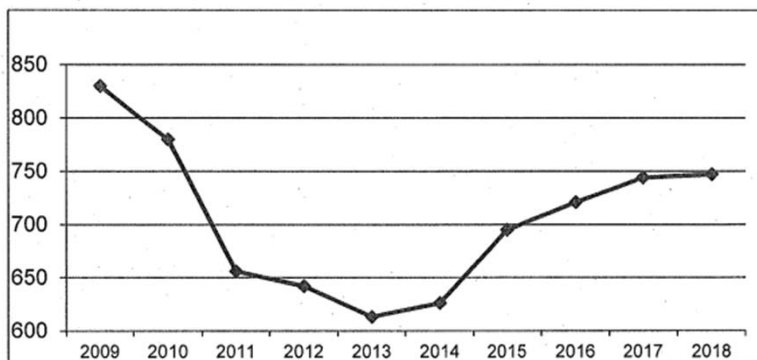
FIGURE 9. TOTAL NUMBER OF PERSONS EXPERIENCING HOMELESSNESS BY JURISDICTION AND SHELTER STATUS

Jurisdiction	2017			2019		
	Sheltered	Unsheltered	Total	Sheltered	Unsheltered	Total
Alameda	94	110	204	99	132	231
Albany	0	66	66	0	35	35
Berkeley	306	664	970	245	813	1,108
Dublin	0	21	21	0	8	8
Emeryville	0	29	29	0	178	178
Fremont	197	282	479	123	485	608
Hayward	84	313	397	115	372	487
Livermore	102	141	243	85	179	264
Newark	42	28	70	30	92	122
<b>Oakland</b>	<b>859</b>	<b>1,902</b>	<b>2,761</b>	<b>861</b>	<b>3,210</b>	<b>4,071</b>



## #20: Long-term Staffing Trends

Figure 1: Sworn Staffing on January 1, 2009 through January 1, 2018



- How well does your agency recruit?
- Retention
- Quit Rate v. Separation Rate

# THANK YOU! Questions?

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