



Human Resources Department

Date: May 5, 2008

To: Phil L. Nelson, City Manager

From: Peggy E. Sears, Human Resources Director

Subject: 2008 Budget Discussions

During the ongoing budget study sessions the City Council has expressed the desire to freeze wages for non-represented employees and not approve wage increases for upcoming union contract negotiations. For informational purposes, I would like to discuss considerations affecting both issues.

It is worth pointing out that the Classified and Exempt employees (the two employee groups that are not represented by a union) have historically led the way with numerous benefit reductions thus enabling us to effectively argue our position with the unions. Some of these reductions include: replacing retiree health insurance with a retiree health savings plan, increasing the prescription drug co-pay, reducing/eliminating the payment-in-lieu for opting out of health insurance, paying higher amounts toward the cost of health insurance, and eliminating longevity payments. Salary increases have been based on lower across-the-board percentages than the union contracts provide, and where union contracts provide for step increases based on years of service, non-union increases within the pay range are determined by performance.

I will be the first one to acknowledge that all employees must come to realize that the economic situation will be reflected in pay and benefits. That said, however, to the extent that employees feel they are being taken advantage of, they will seek other means of obtaining what they want and file for union representation. We have seen this occur with our Police Captains who joined the command officer union in 1989 in order to get the benefits they felt they deserved. Likewise, our Fire Staff Officers unionized in 1995 in order to obtain salary and benefit considerations that the City was otherwise unwilling to grant. Some employee classifications are ripe for unionization if they are inclined to do so, however up until now we have enjoyed a relationship wherein the employees have accepted necessary concessions and the City in turn has granted competitive salary increases without the necessity of collective bargaining. (It should be noted that in the City of Livonia there is an attempt to organize part-time recreation employees, an

effort that could result in thousands of dollars expended that have no direct correlation to actual lifeguarding or umpiring for example.)

It has also been suggested that the City pursue a wage freeze for the impending contract negotiations. These contracts involve the Troy Police Officers Association and the Troy Command Officers Association and both expire on June 30, 2008. These 94 police officers and 34 command officers eligible for Act 312 binding arbitration. For the last seven years we have benefited from the problem-solving approach of IBB negotiations, a more team oriented solution that has resulted in many concessions that we most likely would not have achieved otherwise and many comparables would not support. An employer position of 'no wage increase' is unlikely to get a deal short of Act 312. An Act 312 decision will not include a zero percent increase in light of the fact that the arbitrators place heavy emphasis on comparables (such as Farmington Hills which just settled both their Police and Fire contracts with 3% increases over each of the next five years). Further, the recent trend is for unions to seek reinstatement of the Defined Benefit pension program in place of the Defined Contribution plan. Finally, while the fact that we are taking money from our fund balance to balance the budget is an important factor for an arbitrator to consider, he or she will not give this much weight if he or she sees there is the ability to raise money by increasing the millage.

This report is provided so that informed discussion can be had if asked. Please advise if I can provide additional information.