

Employee Unions Offer Up Path To 'Sustainable Pensions' For 2012 Budget Fix

In Return, Police And Fire Associations Want No Layoffs

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From all indications, both the Long Beach police officers and firefighters associations are negotiating with the city to pick up their full 9 percent employee cost for retirement, create a new Public Employee Retirement System (PERS) tier for all new hires, have those future employees also pay the full 9 percent, and go to a three-year average for retirement – all with the request that there be no further layoffs.

It may be another week or two before we know exactly what is being bar-

gained, as employee association presidents stay busy preparing presentations of the negotiations for their membership. In a brief phone conversation with the Business Journal, Long Beach Police Officers Association (POA) President Steve James said he did not have time to give an interview for that very reason.

Earlier this month, James released a joint statement with Mayor Bob Foster announcing “an agreement in principle for a new contract delivering meaningful long-term savings and significant pension reform to the City that recognizes the existing commitment to LBPOA membership.” According to the mayor’s proposed budget for Fiscal

Year 2012 (FY12), the Long Beach Police Department faces the elimination of 31.5 sworn officer positions.

According to the existing POA contract, there are no pay raises scheduled for police officers outside of step increases and skill pay, which amounts to a \$955,000 cost to the city during the new fiscal year. The proposed FY12 budget requests the police department to reach a reduction target of \$9.4 million as part of proportionate share cuts.

During the presentation of his budget on August 2, Foster said that the tentative agreement would protect against layoffs in the upcoming budget year as well as reduce the city’s long-term pension costs by more than \$100 million. “If that were mirrored by all the other bargaining groups, it would eliminate the structural deficits by the end of Fiscal Year 2013 in the City of Long Beach,” he said.

“The police department, I think, hits the mark and does get us on that path of structural stability,” Foster said. “That’s my focus. Does it do everything I’d like? No. Does it do most of what we need? Yes, it does. I’m hopeful that the council will embrace it and we can have other groups mirror that.”

In a phone interview, 3rd District Councilmember Gary DeLong said the move toward sustainable pension reform has been a long time coming, but that today there is no doubt from the city or the employee groups that new employee benefits are going to be reduced.

“I think it has taken a certain period of time for the city council to demon-

Understanding Pension Payments Made By City

While police and firefighter unions are proposing to pay the full “employee” fee of the pension costs (something the Business Journal has pushed for more than 15 years), taxpayers need to realize how it relates to the overall pension payments made by the city. After all, it’s all taxpayer money.

First, there is an “employer” fee and there is an “employee” fee. The “employer” fee varies annually based on how well the California Public Employees Retirement System has done with its investments. The current “employer” fee is 22.687% for public safety personnel and 16.072% for miscellaneous personnel (or just about everyone other than sworn public safety).

The “employee” fee is 9% for public safety personnel and 8% for miscellaneous personnel.

Therefore, the payment by the city combines the “employee” and “employer” fees: 31.687% (22.687% + 9%) for public safety and 24.072% (16.072% + 8%) for miscellaneous employees.

To put this into perspective, let’s say we have a firefighter whose base salary is \$100,000. Currently, the firefighter is paying \$2,000 (2%) of the \$9,000 (9%) “employee” fee, with the city (the taxpayers) picking up the remaining \$7,000 (7%). Additionally, taxpayers are paying \$22,687 (22.687% x \$100,000) for the “employer” share. So taxpayers are paying \$29,687 (\$22,687 + \$7,000) and the firefighter is contributing \$2,000 toward the firefighter’s pension cost of \$31,687.

If the police union or the fire union – or both – have their members pay the full \$9,000 “employee” fee, that would save the city (taxpayer) \$7,000 for each sworn public safety employee. However, taxpayers are still picking up the entire “employer” fee.

strate that it has the backbone to actually insist upon pension reform, to go beyond talk into action,” DeLong said. “We had to declare an impasse on the engineers when they weren’t forthcoming on meaningful pension changes. We’ve had very substantive discussions with the lifeguards. We have to demonstrate that we are serious about pension reform. While on the one hand it took us a while to generate sufficient political will, I think from the labor groups’ side it took the same thing. The thing is, pension reform is coming. There’s no doubt in anyone’s mind.”

Rich Brandt, president of the Long Beach Fire Fighters Association (FFA), told the Business Journal that after months of negotiating a contract, the association was requested to “take another look” at the bargain after the POA’s possible agreement was presented to provide salary savings and pension reform. Per the proposed budget, the department faces the elimination of 27 open, sworn positions in FY12.

“We had given the city a proposal a couple of weeks ago,” Brandt said. “[The city] said, ‘That doesn’t work.’ Then they came out with the budget and said, ‘Oh, the police department came to the table and they’re going to do something that’s better.’ So I said, ‘What I want you to do is to take ours and cost it out and if you think the PD’s proposal is better, we’d be more than happy to look at that as well and we can give you that if it gets to that point.’ So that’s where we are with discussions right now.”

The fire department’s proportionate share reduction target for FY12 is \$5 million. According to the existing memorandum of understanding for the FFA, firefighters are scheduled to receive salary increases of 2 to 4.5 percent. “They owe us these salary increases,” Brandt said.

“When I say salary savings, that means something is going to happen to them. Whether they are foregone or they go toward paying the pensions, there will be some savings to the city somehow,” he said. “We’re trying to figure that out mathematically and cost-

ing it out to see what works and what doesn’t work. It’s going to take a couple weeks.” The goal, Brandt said, is to slate a deal before the end of August to meet the city’s budget deadlines.

In the meantime, the FFA membership has been campaigning citywide against one of the proposed cuts to the department – reducing staffing at nine fire stations citywide to three-man crews. This concept, which has been suggested in the past (including by the Business Journal initially in the 1990s), has come to fruition in the proposed FY12 budget. According to Long Beach Fire Chief Alan Patalano, three-man crews would be imposed at stations under three criteria: the number of calls to service, the types of calls and potential station overlap.

“We’re currently looking at those right now,” Patalano said at the August 2 budget presentation. “Like we do with any change we make in a major system, whatever we put forward we would study and review and make changes as necessary if it turns out that our initial methodology is inaccurate. . . . This is uncharted ground for us. There aren’t too many large municipalities that have transitioned into this crew configuration.” In a public meeting held by 5th District Councilmember Gerrie Schipske, Patalano said he would not be in favor of reducing staffing to three-man crews if the city were not facing a sizeable budget deficit.

Meanwhile, the FFA has been sending out mailers with the slogan “Keep Four Onboard,” informing citizens that “Law mandates that four firefighters must be on the scene before any firefighters charge into a burning building. Two go in and two act as back-up. If there are only three firefighters on a unit, they have to wait for another unit, which means a life-threatening delay.”

Although he is not in favor of reducing staffing and impacting the safety of the citizens, DeLong said departments must make difficult decisions in difficult budget times.

According to Patalano, the three-man

fire crew model is typically found in large county organizations, such as Los Angeles and Orange counties. Smaller cities like Hermosa Beach operate three-man crews, however Brandt said comparing Long Beach to counties and small beach cities isn’t “apples to apples.”

“Honestly, our deal is safe staffing for the citizens – plain and simple. . . . The firefighters understand the economics and understand what’s happening,” Brandt said. “We’re going to come to the table. We’re going to give you [the city] true pension reform. We’re going to end up picking up our fair share of the pensions. We gave you a new tier. But it’s not fair to cut the staffing to the citizens, and their safety and the safety of the firefighters.” ■