



CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Monique Zmuda
Deputy Controller

June 16, 2010

Ms. Angela Calvillo
Clerk of the Board of Supervisors
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

RE: File Number 100620: Memorandum of Understanding (MOU) with the Service Employees
International Union Local 1021

Dear Ms. Calvillo,

In accordance with Ordinance 92-94, I am submitting a cost analysis of the MOU between the City and County of San Francisco and the Service Employees International Union Local 1021 (SEIU). The MOU applies to the period commencing July 1, 2010 through June 30, 2012, affecting 9,883 authorized positions with a salary base of approximately \$553 million and an overall pay and benefits base of approximately \$744 million. As members of the Public Employees Committee of the San Francisco Labor Council (PEC), SEIU has agreed to the terms in the summary letter.

The existing contract ends FY 2010-11, with the new agreement extending through FY2011-12. Based on our analysis, the MOU will result in a \$27.4 million savings in FY 2010-11 as compared to base budget. SEIU agreed to concessions for both FY2009-10 and FY2010-11 in the two previous bargaining years. The approximate savings from previous concessions for FY2010-11 is \$5.7 million. During the term of the agreement, represented employees shall observe 12 unpaid furlough days in FY 2010-11 or defer a 3.75% wage increase, resulting in a \$26.5 million savings. For those classes taking the furlough days, wages will be reduced by 4.5% during FY2010-11, then a further 0.5% to 5% starting July 9, 2011, resulting in an additional \$1.3 million in savings in FY2011-12. These reductions end on June 8, 2012.

In a cost-neutral provision, SEIU agreed to an additional 0.95% in wage reductions across the bargaining unit to fund a "Layoff Impact Premium" for employees whose wages were impacted by layoffs or reductions in hours during FY2008-09 and FY2009-10. This premium will bring those employees' wages back to levels prior to the layoff or reduction in hours.

The MOU provides that employees who retire during the term of the agreement whose compensation is impacted by the wage reductions will receive a payment equaling the pensionable value of the unpaid days that impact the retirement benefit. This will result in a cost to the City that will be determined by San Francisco Employees' Retirement System and is dependent on each retiree's circumstances.

In FY2010-11, \$900,000 in savings results from the initial step in a phased-in payment by certain job classes of the employee paid portion of retirement (EPMC). These classes, as well as all other job classes, begin paying the entire EPMC in FY2011-12. In exchange, SFERS contributing employees will receive a 6% wage increase and PERS contributing employees will receive a 7.25% wage increase. Some classes will stagger the increase, the first stage commencing July 1, 2011 and the remaining taking effect June 30, 2012.

Should the PEC and City be unable to find \$3 million in health care savings next year, the PEC health benefits provision applies and could result in \$1 million in savings in FY2011-12 under this bargaining unit.

In addition to the savings noted above, the FY2010-11 base budget included approximately \$5.7 million in savings previously negotiated by SEIU. Also, in addition to the provisions listed above, the City anticipates a \$15.8 million cost increase in FY2011-12 as a result of retirement rate increases in the SEIU bargaining unit. Finally, the cost of continuing existing health and dental benefits provided in the MOU will increase by approximately \$3.8 million in FY 2010-2011.

If you have additional questions or concerns please contact me at 554-7500 or Peg Stevenson of my staff at 554-7522.

Sincerely,

Peg Stevenson

BR Ben Rosenfield
Controller

cc: Martin Gran, ERD
Harvey Rose, Budget Analyst

**Memo of Understanding, July 1, 2010 - June 30, 2012
 SEIU, Miscellaneous Employees, Local 1021 Non-MUNI
 Estimated Costs/(Savings) FY 2010-2012
 Controller's Office**

<u>Annual Costs/(Savings)</u>	<u>FY 2010-2011</u>	<u>FY 2011-2012</u>
12 furlough days smoothed - (some classes excepted): July 1, 2010 - July 8, 2011 wages reduced by 4.5% July 9, 2011 - June 8, 2012 wages reduced by 5% (Includes Wage-Based Fringe Payments)	(\$24,871,017)	(\$1,347,504)
July 1, 2010 3.75% continued wage reduction for classes 8202, 8213, 8217, 8237, 8238, 8239, 9202, 9203, 9204, 9209, 9212, 9220 (Includes Wage-Based Fringe Payments)	(\$1,590,333)	-
Graduated EPMC pickup (classes 2424, 2450, 2454, 2467, 2468, 2469, 2470, 2493, 8318, 8320, 8321)	(\$928,610)	(\$663,577)
Graduated Wage Increase (classes 2424, 2450, 2454, 2467, 2468, 2469, 2470, 2493, 8318, 8320, 8321) (Includes Wage-Based Fringe Payments)	-	\$728,231
Employee-Paid Retirement Contribution	-	(\$40,569,506)
Wage increases in exchange for Employee Retirement Pickup (Includes Wage-Based Fringe Payments)	-	\$38,630,834
Health Benefits		
Cap on City contribution for medically single City Plan employees	-	(\$967,437)
Total Estimated Incremental Costs/(Savings)	<u>(\$27,389,961)</u>	<u>(\$4,188,960)</u>
Previously negotiated savings in addition to above (included in base budget)	(\$5,725,580)	-
Value of Expected Fringe Rate Increases	-	\$15,798,577
Budgeted Estimates for Cost Increases in Existing Health Benefits	\$3,783,052	\$4,036,056