

CONTRA COSTA COUNTY GRAND JURY REPORT NO. 0902

**Economic Catastrophe Looms:
Contra Costa County Continues to be Ill-Prepared
for Labor Negotiations**

TO: Contra Costa County Board of Supervisors

SUMMARY:

Facing probably its most disastrous financial crises in two decades, Contra Costa County is ill-prepared for its 2008-2009 labor negotiations. At a time when its unions have signaled that they intend to pursue economic business as usual, including higher wages and benefits, the County lacks a coherent negotiating strategy and trained, experienced negotiators for limiting fiscally unsustainable proposals.

The County risks making reactive and unwise decisions which will worsen its well-documented budget and Other Post Employment Benefits (OPEB) obligations. A reactive approach ensures many existing outdated work practices will continue and will pose a risk to future budgets, programs, and staffing levels.

Glossary

- ***Board of Supervisors (BOS):****The five (5) person elected body responsible for the governance of Contra Costa County*
- ***Collective Bargaining:****The formal process whereby unions and management negotiate wages, benefits, work rules and conditions*
- ***County Leadership Group:****The County Administrator and staff responsible for managing Contra Costa County's operations.*
- ***Industrial Employers and Distributors, Inc. (IEDA):****This employer-employee relations consulting firm has been retained by Contra Costa County to act as its lead negotiation representative in collective bargaining*
- ***Meyers-Milias- Brown Act:****A 65 page California law governing all aspects of labor relations between public entities and represented unions.*
- ***Other Post Employment Benefits (OPEB):****An accounting term meaning retirement benefits primarily related to health care.*
- ***Total Compensation Study:****A salary and benefits study conducted by an outside consultant for the Board of Supervisors. The study examines salary and benefits of comparable public sector positions in the nine Bay Area Counties. The study data has not yet been made available to the Grand Jury to date.*

BACKGROUND:

Given the impact of the labor agreements on County's budget and operations, the Civil Grand Jury initiated a study of the County's readiness and approach to its 2008-2009 labor negotiations. This effort sought to learn the perspectives of key decision makers and the County's negotiating strategy and tactics. The Grand Jury also reviewed the preparedness of the County negotiating team, as well as the impact of future wages and benefits on the County's well-publicized financial problems. The methodology involved development of questionnaires and a uniform interview process. The Grand Jury also reviewed and assessed publicly available data.

FINDINGS:

1. Contra Costa County has labor agreements with unions covering as many as 13,000 employees.
2. Salaries and benefits account for 56.1% of the County's 2008-2009 budget.
3. Union agreements, covering approximately 7200 employees, are currently the subject of collective bargaining.
4. Contra Costa County has no clearly defined or documented strategy for its 2008-2009 labor negotiations. A senior negotiator stated that the county position is "to react once we receive proposals from the unions."
5. The Interim Manager of Human Resources has made a significant effort to expand the 2008-2009 County Negotiating Team.
6. Fifteen Union Agreements expired simultaneously in September 2008 and have been extended through January 2009.
7. Negotiations began on October 16, 2008. The County proposed and obtained the unions' agreement for a set of ground rules for conducting the negotiations. This set of ground rules is not available to the Grand Jury, due to the County's interpretation of the Meyers-Milias-Brown Act.
8. Training for the County Negotiating Team didn't begin until September 2008.
9. The County Negotiating Team has had multiple personnel losses over the past two years. Two County Administrators have left since 2006 followed by recent resignations of the Labor Relations Manager, the Employees Benefits Manager and the Human Resources Director, three top negotiators in the Human Resources Department.
10. A Total Compensation Study commissioned by the Board of Supervisors (BOS) is scheduled to be completed by December 31, 2008. Reportedly, partial information is now available and will continue to be throughout the negotiations.
11. The 2008-2009 County Negotiating Team is utilizing a Principal Labor Relations Negotiator as its internal fact-finder for proposals from both sides
12. Industrial Employers and Distributors, Inc. (IEDA) has represented the County as the lead external County Labor Negotiator for the past 35 years. IEDA will act in this capacity for the 2008-2009 negotiations.

13. The County Finance Director is not a member of the County Negotiating Team but will provide cost projections and detailed costs analysis information upon request to both management and the unions.
14. The negotiated terms for the labor agreements will be reviewed by the County Counsel, the Auditor, and the Finance Director prior to going before the BOS for final approval.
15. Working documents and negotiating details from prior negotiations are maintained by IEDA.
16. Members of the BOS continue to discuss negotiating issues with union representatives during and outside of the formal negotiations process.
17. The County Administrator's office reports that the unfunded County OPEB obligation is \$1.7 Billion.
18. It is widely acknowledged that dealing with the unfunded County OPEB liability is the highest priority for labor negotiations.
19. Even paying a token amount toward funding the OPEB obligation means that numerous County services, valued at about \$10 million for the current fiscal year, will be reduced.
20. The County has historically had significant in-house financial expertise, including departments led by the Treasurer and Auditor-Controller, which has not been fully utilized in support of negotiations.
21. In a step that continues to deplete County reserves, the BOS also authorized, in a separate transaction, the County Auditor-Controller to transfer \$10 million from reserves to the County's general fund for current operating expenses.
22. The labor agreements include obsolete language and practices.

CONCLUSIONS:

The Grand Jury is extremely concerned by the County's approach to the current labor negotiations.

The Grand Jury views favorably the efforts of the Interim Director of Human Resources: to better train the negotiations team, to utilize one individual as a fact checker for both sides, and to implement negotiations ground rules. These are positive first steps and should be made a permanent component of future negotiations.

Conversely, prior Grand Juries have repeatedly expressed disappointment at the County's overall lack of planning and preparation, as well as the BOS's stated willingness to directly involve themselves in the negotiations. This disjointed approach is the same business-as-usual strategy that has resulted in the current level of unsustainable wages and benefits and the County's well-publicized OPEB problems.

The County is currently confronting an economic tsunami: the meltdown of the securities markets, the highest foreclosure rates since the Depression, the attendant decline in property taxes, the recognition of the need to fund OPEB liabilities, and the State Budget crisis. These factors make it impossible to continue to provide the existing levels of salaries and benefits to current and retired employees without ongoing cuts in County public services. Real cuts in salaries and benefits have to be made now. This is a harsh reality. The County can no longer delay action on these issues. It needs to address them now and to do so in a carefully planned manner with supporting strategies and tactics.

The Grand Jury believes that, at a minimum, the BOS must put politics-as-usual aside and bargain with its unions in a tough, well planned, and strategic manner. Specific steps for this approach are described in this report's recommendations. The Grand Jury realizes that the implementation of these recommendations represents a distinct departure from past negotiations. It well may result in resistance from represented unions. However these are not ordinary times and the County's economic future cannot be guided by its past compliant negotiations approach. Strong leadership is needed from the BOS. This requires courage and a willingness to confront harsh realities. Anything less will result in an economic catastrophe and will be to the long-term detriment of the entire County, its citizens, programs, and employees.

RECOMMENDATIONS:

- 1.The County develop and use clear cut strategies prior to launching any future negotiation process.
- 2.Current and future County negotiating teams must have the full commitment of the BOS without intervention during negotiations.
- 3.At least 6 months in advance of contract negotiations, the County has a duty to initiate pre-negotiations training and obtain an updated Total Compensation Study.
- 4.Within 6 months the BOS shall direct the County Administrator to develop a plan for assuming the lead role in future negotiations. This must begin with filling of the now vacant leadership positions in the Human Resources Department.
- 5.Within 6 months the Human Resources Department must build and maintain files and data bases that are essential and appropriate to conduct successful negotiations.
- 6.Future labor settlements must include best practices such as eliminating barriers to reaching agreement on work simplification and regaining management prerogatives.
- 7.It is an absolute necessity that the BOS address the financial impact that reduced County revenues will have on salaries and benefits, ignore political expediency, and impose prudent financial discipline on any proposed labor settlements. To accomplish this, the BOS shall appoint a Financial Oversight Committee within 6 months to include, but not limited to, the County Treasurer-Tax Collector and the Auditor-Controller.
- 8.By the next fiscal year, the County shall adopt a two year budget that incorporates appropriate fiscal, contingency and debt (including unfunded benefits obligations) funding polices.

REQUIRED RESPONSES:

Findings:

Contra Costa County Board of Supervisors: 1 through 22

REQUIRED RESPONSES:

Recommendations:

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