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## RCHEA MEMBERSHIP UPDATE

### NEGOTIATIONS AT THE CROSSROADS

As counsel for RCHEA, I am writing to provide you an update on negotiations with the City. To date your RCHEA Negotiating Committee has met with the City nine times, the last two with the assistance of a State-assigned mediator. During those sessions RCHEA has reached out to the City to present your interests and seek collaborative solutions with management. We have hired experts who have carefully evaluated the City's medical plan. Most importantly, you, the RCHEA members, have stood together and demonstrated support for your committee.

Yet today we stand at a crossroads. To date, the City has made no meaningful attempt to address your concerns. The City appears to be less interested in facts and more interested in letting RCHEA members know who's the boss. In short, you are being shown no respect. The City is counting on apathy, division and weakness. It is up to you to disappoint them.

### WHAT ARE WE FIGHTING FOR?

These are our key proposals, based on your input:

1. A rationally determined automatic COLA payment January 1 of each year;
2. Revisions to make the Merit Matrix equitable;
3. Reductions in dependent care premiums by using excess funds in RedMed reserves, built from RCHEA members' overpayments;
4. Slight increases in longevity pay; and
5. Arbitration of future contract negotiations to avoid City stalling tactics.

The City's response to the above: NO!

This continues to be the City's response even after RCHEA made the following presentations to management at our last session:

1. Medical plan experts John Wallen and Kristi Isensee of DiMartino Associates presented their analysis of the City's self-funded medical plan. For purposes of these negotiations, their key conclusions are:

- A. At year-end 2006, Redmond's IBNR (claims incurred but not received) was estimated at \$993,602. The City's goal is to maintain a fund balance of 2.5 times IBNR. At year-end 2006, that fund balance was estimated to be \$3,220,151, or 3.24 times IBNR, exceeding the City's goal by \$736,146. The State recommends that self-insured plans maintain a fund balance equal to 4 months of IBNR. In Redmond's case for 2006, this would amount to approximately \$1.9 million. So in 2006 the City not only exceeded its own goal of 2.5 x IBNR, it exceeded the State's expectation by \$1.3 million.

The City has charged higher than necessary premiums resulting in the build up of the reserve to over \$3 million. The City's goal for its reserve (2.5 IBNR) exceeds by more than 30% the State's expectation of a four-month reserve. Even if this excessive reserve standard were justified, it has been exceeded by about ¾ of a million dollars.

- B. This reserve was partly built by the 20% dependent premiums paid by RCHEA's 200 members. Total dependent premiums exceeded the cost of providing coverage for your dependents--you were overcharged to help build the reserve. Dependent premiums have exceeded dependent claims by at least 1 million dollars.
- C. Without spending a dime, the City could use part of the excess funds to provide a rate reduction, or premium "holidays," to provide some recompense to RCHEA members.
- D. A serious concern remains regarding the City's plan. The claims and revenue figures presented to the State's auditors differ from those in the City's underlying records. While for purposes of the above analysis, DiMartino & Associates used the figures most favorable to the City, they were not provided an adequate explanation for these significant discrepancies.

- 2. Tom Barry, chair of RCHEA's Negotiating Committee, gave a presentation regarding problems with the Merit Matrix. Key points included:

- A. An explanation of why providing lower percentage incentives to those who reach the midpoint and higher of their salary range is inequitable and discourages productivity;
- B. Why leaving the percentage bonuses for topped-out employees so low will undercut retention;

- C. Why employees who “meet expectations” are worse off now than under the prior pay system; and
  - D. Why the statement in the merit policy that only a few employees will achieve an outstanding performance rating is disrespectful and undercuts the incentive for all employees to attain this high level of performance.
3. As counsel for RCHEA, I presented to the City our concern that on close inspection one-third of the City’s current COLA (“Market Adjustment”) calculation is based on a flawed, subjective survey which fails to meet even minimum statistical or due diligence standards. The survey begins with phone calls to a list of employers. Additions and subtractions to the list are made without regard to any objective standards. Many of the surveyed employers are outside Redmond and/or have few of the job types filled by City employees. Although the Collective Bargaining Agreement calls for a survey of private businesses, for 2007 a public school district with the lowest surveyed COLA increase was inexplicably added to the mix.

Employers from this subjectively created list of businesses are then subject to self-selection, i.e. only those willing to disclose wage data are included. Of the 37 businesses in the private-sector survey for the 2007 COLA adjustment, only a tiny sample of 11 provided information. They were asked in the fall what their wage increases would be the following year. If the answer is zero, a zero is entered to the survey average. Hence, the survey ignores the fact that many private businesses will act conservatively by declining to promise wage increases in advance but will grant them when it later becomes clear that they can afford to do so. Unlike cities, they need not commit to yearly budgets in advance. None of these later actual wage increases are included or even tracked in the survey. Further, the survey excludes other key forms of compensation such as bonuses, stock options and benefits which may dramatically increase real market adjusted income.

Two hundred RCHEA employees and their families rely on the credibility of this survey. It is doubtful that any serious business would make important market judgments in the above fashion. It is hoped that the City is not using similar survey methods to set utility rates, permits fees and other charges to its citizens.

As demonstrated above, RCHEA bargaining request are being informed by expert analysis and hard facts. Your Committee has persuasively demonstrated inequities between RCHEA and other employee groups.

So . . .

## **WHERE DO WE GO FROM HERE?**

We stand at a crossroads. One road leads to unilateral implementation of management's last offer. On January 1, your contract extension to the RCHEA-Redmond Agreement expires and the City may implement its last and final proposal. The City might even challenge your right to RCHEA representation. While RCHEA could contest this action, there is no certainty the City would not succeed. If the City succeeds in implementing its proposal without serious resistance from you, the RCHEA members, your ability to protect jobs and working conditions will be undermined going forward. The City is cutting and outsourcing jobs. Is yours next?

You can choose a different path by bringing all forms of legitimate pressure to bear on the City to reach a fair Agreement. You are not powerless. There are actions you can take to persuade the City that a fair agreement is in its best interest. The City must understand that you, the RCHEA members, care about these negotiations. While specific tactics will not be included in this update, you can begin by pressing your managers about why the City is unwilling to agree to any changes. Why should you be forced to pay higher medical on January 1 but receive no COLA? Why not use some of the over-funded medical plan to reduce RCHEA premiums?

## **ULP UPDATE**

As RCHEA's lawyer, I also wish to update you on the pending unfair labor practice charge against the City of Redmond. As a result of the City's failure to make good on a promise to RCHEA in negotiations to withdraw a unilaterally implemented ethics policy, and its obstructing RCHEA's ability to obtain medical plan information, RCHEA filed a ULP with PERC. The filing of the ULP does not hinder negotiations in any way. The two processes proceed on separate tracks, and it is highly likely that the contract will be ratified before the ULP is resolved.

PERC's Director has concluded on the primary claim that RCHEA has good cause for bringing this complaint, and further evidence has been submitted to PERC on the second claim.

The next step on this charge is to go to hearing and obtain a decision.

## **CONCLUSION**

The current administration apparently intends to try to run out the clock and implement its contract proposal at the end of the year. To head this in a different direction, you must stand together and in a professional, respectful manner take actions to persuade the City to make a fair offer.