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May 25, 2006

The Honorable Antonio Villaraigosa, Mayor
The Honorable Rockard J. Delgadillo, City Attorney
The Honorable Members of the City Council
City Hall
200 North Spring Street
Los Angeles, California 90012

Dear Mayor Villaraigosa, City Attorney Delgadillo, Members of the City Council:

The City of Los Angeles is one of the largest employers in the State of California with over 45,000 workers in its ranks. The majority of these are represented by 25 unions in 40 bargaining units. It has been 35 years since the City adopted its Employee Relations Ordinance which established the way in which the City negotiates with labor. An evaluation and modernization of this process has been long overdue. That is why today I release a report on the City's labor negotiating process.

The recent, unprecedented labor agreement between the Los Angeles Department of Water and Power (LADWP) and the International Brotherhood of Electrical Workers (IBEW) has brought the City's labor negotiations to the front burner of public discussion. The agreement further exacerbated on-going tensions about the discrepancy in pay and benefits between LADWP employees and others who perform exactly the same functions in other City departments.

Labor negotiations are not only about cost, but also about balancing the interests and needs of the worker with the practice of good government. The City must continue to be committed to being a role model employer while delivering high quality services to the people of Los Angeles in an affordable way. It is essential that we approach our labor negotiations fairly and strategically in a way that makes sense for all those involved...including the public!

First and foremost this study finds that Los Angeles has no overarching citywide labor relations philosophy. The result is a City inconsistent and uncoordinated in its approach. In addition, we must do a better job in providing comprehensive and first rate training to ensure that our negotiators have the right knowledge and skill sets.

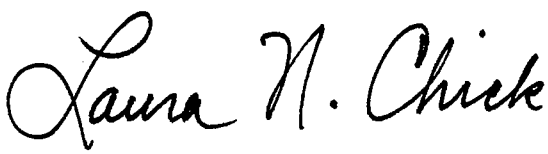
Increased transparency is needed on all sides of the labor negotiating process. The Mayor and City Council must have clear and full information regarding all the short-term and long-term fiscal implications before they vote on a Memorandum of Understanding (MOU). Labor must also have complete and accurate information regarding the City's budget and financial condition.

In addition to salary, overtime, health and retirement benefits, many City workers are also awarded bonuses for providing special skills and/or required clothing or equipment for a specific job. It is essential that the City pay more attention to how and why these bonuses are given.

One of the factors that makes this study so unique is that it doesn't stop at simply critiquing our current labor negotiation process, but it puts forth creative and innovative ideas for change. Some of these ideas go beyond the subject of negotiations by presenting additional ways to improve labor relations in general and City government as a whole. Not only do they suggest ways to make our City government operate more efficiently and effectively, but they also push the City to do more to generate economic development in Los Angeles that creates good and secure jobs for thousands of non-City workers.

These ideas should foster a healthy public discussion as we look to bring our labor negotiating into the 21st Century as a model for all to follow. There is every reason to believe that Los Angeles can serve as a national example of an extremely well run city that is at the same time a very labor-friendly city.

Sincerely,



LAURA N. CHICK
City Controller

SJOBERG EVASHENK
CONSULTING, INC

Cornell University
ILR School

May 25, 2006

The Honorable Laura N. Chick, Controller
Office of the Controller, City of Los Angeles
200 N. Main Street, Room 300
Los Angeles, CA 90012

Dear Ms. Chick:

Sjoberg Evashenk Consulting and Cornell University respectfully submit our report entitled, "Los Angeles Labor Negotiations Study." This study was conducted on behalf of the Los Angeles City Controller jointly by Sjoberg Evashenk Consulting and Cornell University, wherein the Cornell team addressed the City's labor negotiation practices and activities (Sections I and III) and Sjoberg Evashenk Consulting focused on the fiscal impacts of the labor negotiation process (Section II).

Our study addresses the challenges faced by the City in negotiating with its employees' 40 bargaining units and offers recommendations and suggestions to make the process more efficient and effective. We are confident that the City's management and labor leaders will work collectively to overcome these challenges and achieve the results desired by all.

Sjoberg Evashenk Consulting and Cornell University were pleased to work with the City Controller's Office on this important study, and appreciate the assistance received from the many dedicated City and union leaders with whom we worked.

Respectfully submitted,

KURT R. SJOBERG
Sjoberg Evashenk Consulting, Inc.

MARCIA CALICCHIA
Cornell University ILR School

Los Angeles City Controller

Los Angeles Labor Negotiations Study

May 25, 2006

Sjoberg Evashenk Consulting, Inc.
and
Cornell University, School of Industrial and Labor Relations

Cornell University
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Executive Summary

Sjoberg Evashenk Consulting and Cornell University have completed a study of the City of Los Angeles' labor negotiation policies, processes and practices, under contract with the City Controller's Office. The objectives of the study are to:

- Review negotiations executed within the last three years for "lessons learned," as well as review negotiations currently underway.
- Evaluate and "map" the City's current collective bargaining process.
- Conduct a nationwide search for promising practices the City could incorporate into the collective bargaining process.
- Evaluate the fiscal impacts of labor negotiations.
- Evaluate the role of and incentives for each party in the process.
- Evaluate the labor-management relationships outside of the bargaining process.
- Identify opportunities for improving labor-management relations.

Cornell University addressed the City's current labor relations process and identified areas for improvement or consideration (Sections I and III), while Sjoberg Evashenk Consulting focused on the financial implications of the City's collective bargaining practices (Section II).

Overview

The City of Los Angeles employs approximately 46,000 individuals, the vast majority of whom are represented by 25 unions in 40 bargaining units. In fact, only two percent of City's employees are not represented by a bargaining unit. In Los Angeles, the Mayor, City Council, Executive Employee Relations Committee (EERC) and the City Administrative Officer (CAO) have important roles representing management in the negotiations with its employees' 40 bargaining units.

It is a challenging time for those engaged in the labor negotiations process in the City of Los Angeles. Fourteen of the 40 bargaining units are operating under Memoranda of Understanding (MOU) that expired in 2003 and 2004, while an additional eight will expire by the end of fiscal year 2005-06. The fiscal concerns expressed by many elected officials, the pressure exerted on union leadership from rank and file members to replicate the contract negotiated by the Department of Water and Power with the IBEW in 2005, and extensive and impassioned press coverage are also contributing factors. In addition, there is not a great deal of flexibility, as salaries and benefits make up nearly 70 percent of the city's annual $4 billion general funds budget. However, the City's recent agreement with the Police Protective League provides an example to build upon in future negotiations.

In Sections I and II of the report, recommendations are presented to assist City decision makers in the day-to-day processes and practice of labor negotiations. For example,

these sections discuss expanding the City's internal capacity to engage in labor relations by increased training, more departmental involvement in negotiations and re-establishing a labor relations specialist classification. Also, clarifying and simplifying MOU contract language and increasing the fiscal information provide opportunities for process improvements.

Section III of this report outlines a variety of strategies, including promising practices from other parts of the country that could be undertaken to improve the likelihood that labor and management can move forward together to build a better future for the City of Los Angeles. They include "opening the City's books" to the unions to assure transparency, engaging the unions to help identify opportunities to achieve efficiencies and develop a citywide strategic plan, and expanding the breadth of economic development within the City.

It is a positive sign and important to note that in our discussions with the leaders who will be shaping the future of labor relations in the City, there were very few individuals who disagreed with the ideas presented here. Some expressed understandable skepticism that all of those involved would be willing or able to put aside history, be able to follow through given all of the competing demands for their time and attention, and/or risk alienating key constituents by doing what is right for the City (and, ultimately, for their constituents). We understand these obstacles, and others, very well. Over the last three decades the Cornell University team has worked with hundreds of organizations and repeatedly witnessed how labor and management have either been able to work together to overcome serious challenges and achieve significant results, or failed to work together and hurt themselves and those they represent. In Los Angeles in 2006, an historic opportunity is available if the parties involved are willing to work together.

The report is organized into the following three sections:

- Section I – Opportunities to Improve the Labor Negotiation Process
- Section II – Fiscal Implications of the Labor Negotiation Process
- Section III – Additional Ideas for Consideration

In Section I, we offer suggestions on how the negotiating process could be improved. In Section II, we identify opportunities to provide additional fiscally-related information on individual MOUs to assist the City during deliberations. In Section III, we describe seven consistent underlying themes that significantly impact labor relations and negotiations, and provide additional ideas for consideration. These three areas are described more fully in the following sections.

Section I – Opportunities to Improve the Labor Negotiation Process

We interviewed over one hundred people involved in the labor negotiations process in Los Angeles, and were repeatedly impressed by their intelligence and commitment. The managers, union officials, and elected officials and staff were as thoughtful, resourceful, engaging and concerned as any we have ever met. And yet, Los Angeles is facing a challenging time in labor relations. Some of these challenges are described in more detail in Section III. Other contributing factors are structural in nature, and largely reflect the

shared power inherent in local government. In this study we have chosen to focus on those facets of the labor negotiations process that can be most readily addressed. In this section, we describe five barriers that are directly affecting the negotiations process, and offer recommendations.

Based on our review of the City's labor negotiation process, we believe there are five barriers currently limiting the effectiveness of Los Angeles' negotiations and labor relations activities. They are:

1. There is no citywide labor relations philosophy, and the City is inconsistent and uncoordinated at times in its approach.
2. Labor relations as a profession has been neglected in the City. Many departments are not fully engaged in the negotiating process.
3. Overall, tensions between labor and management have been increasing, and proven methods to help reduce conflict are not being used as extensively as they could be.
4. The bonus terms, language and provisions in MOUs are currently not easily managed or monitored.
5. Perspective is being lost by some of those involved.

Citywide Labor Relations Philosophy

In Los Angeles, coordinating activities, sharing information, and implementing decisions have been problematic at times. The efforts of the city departments, the CAO, the Personnel Department, the EERC, the City Council and the Mayor's Office are not entirely integrated. Nor are discussions regularly held that could clarify and resolve differences, and help ensure that the city is presenting a unified approach to the unions. No protocols have been developed for working through differences of opinion or for communicating consistently with the unions. This has led to situations where one or more of the parties representing the city have not supported each other, and/or have allied with the unions.

Neglecting Labor Relations as a Profession

We have noticed a trend in the public sector, as labor relations professionals retire and budget pressures mount, to underestimate the skill sets required for these positions, and to hire new staff with little experience or training. Los Angeles has been doing this for some time. The Labor Relations Specialist job classification was eliminated years ago, and there has been movement throughout the city into these positions of people from many different job classes who usually have no labor relations background, and often do not stay for a significant length of time. This is compounded by a lack of training in labor relations, and by the policy followed by at least one department of rotating staff every two years. This turnover and inexperience has often led to a lack of institutional memory, and to the unions having much more experience and knowledge of the history of negotiations and conditions within the departments.

Increasing Labor Management Tensions

The day-to-day interactions in the workplace, when poor, can become a catalyst for grievances and expensive arbitrations and lawsuits. The quality of supervisory and

managerial practices, and how well grievances are handled, can have a great effect on the negotiations themselves. If done poorly, negotiations can become a lightning rod for what has occurred during the life of the contract.

There are a variety of methods that can be used to reduce conflict during and between negotiations. Various forms of alternative dispute resolution are available and are very effective, although they are not incorporated in Los Angeles nearly as much as they could be. For example, grievance mediation, which inserts a mediation step into the grievance process, has been found to be very useful at all levels of government.[1] It is a provision in many of the MOUs, but is not used extensively.

Managing MOU Terms, Language and Provisions

Los Angeles has many types of negotiated bonuses, and they cover a wide variety of areas, including night-shift differentials, special job skills such as flying a helicopter or bilingual work, tools and uniform allowances, informal compensation for staff who are working out of title (sometimes for years), and hazard pay for SWAT and bomb-squad members. Permanent bonuses alone cost the city over $117 million per year. While many of these are common in municipalities, and play an important role in retention and recruitment, there are problems with the way the system has developed and been administered over the years.

As discussed more fully in Section II of the report, while these terms have been relatively easy to negotiate, they have become very difficult to administer. The payroll system has struggled to adequately reflect bonuses and supervisors have been inconsistent implementing temporary bonuses.

Perspective is Increasingly Being Lost by Those Involved

Due to a variety of challenges, we saw that perspective on labor management relations among some of the involved parties from both groups was being lost. Effective labor relations is almost always highly dependent upon the ability of the parties involved to maintain perspective and develop respectful and honest working relationships. When this fails, it is far too easy to attribute unsavory motives, become increasingly petty, and/or justify one's own poor behavior. Once the ability to see the other parties as human beings with a legitimate role to play is lost, it is easier to begin to believe one's own rhetoric. Another critical consideration here is the perception of many citizens (and much of the press) that city government is ineffective, wasteful and filled with workers who are already overpaid. Instead of becoming increasingly alienated from each other, labor and management need to be able to work together to fix what is broken, enhance services and improve their image with much of the public.

Section II – Fiscal Implications of the Labor Negotiation Process

In Los Angeles, each of the 40 MOUs resulting from labor negotiations are complex contracts that generally bind the parties for the duration of the agreement – usually three years, but occasionally for two or five years. The MOUs provide cost of living allowances (COLA), permanent and temporary bonuses and other premium payments.

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[1] Osborne, David and Peter Plastrik. The Reinventor's Fieldbook: Tools for Transforming Your Government. San Francisco: Jossey-Bass, 2000.

Particularly in agreements with the City's largest unions, these MOUs are effectively contracts for hundreds of millions of dollars to provide needed City services.

Because of their importance, the negotiations surrounding MOUs are given great weight by the Mayor, City Council, EERC and CAO. Estimates of the MOU fiscal impacts are provided by the CAO using information gathered from the City Controller's payroll system and other sources. Generally, we found that the CAO's estimation and projection processes were reasonably based on the limited data available from the Controller's legacy payroll system. Consequently, we focused our study on opportunities to provide additional, more detailed fiscally-related information to assist the City's decision makers during negotiations and deliberations. In this Section we address the following three areas:

- Expanding the use of newly available payroll data to provide not only more specificity regarding the fiscal impacts of the MOU being negotiated, but more information on the benefits received over the past negotiations.
- Assuring that MOU terms and language can be efficiently and effectively administered and implemented by the Controller's Office and departmental payroll offices.
- Providing additional perspective regarding the MOU salaries being negotiated by benchmarking these salaries against what other Los Angeles Region employers pay for similar services.

Future Cost Estimates of Labor Agreements Should Be More Detailed

Historically, the CAO's cost estimates of the salary and bonus impacts of individual labor agreements were reasonable given the data available for calculating projections. Hampered by the poor functionality of the City Controller's legacy payroll system, additional analysis of the impact of certain MOU provisions, particularly those related to bonuses and overtime, was difficult and imprecise. However, as the Controller's new system (known as PaySR) has evolved, a broader range of fiscally-related analyses can now be conducted. With the data now available on PaySR, we were able to analyze and unbundle bonuses for selected MOUs, identify overtime trends and calculate hypothetical salary scenarios.

With these expanded tools, the City's decision makers now have the tools available for creating more detailed and accurate fiscal information from which to make their decisions. Moreover, this depth of detail will afford the creation and tracking of fiscal impacts of past negotiations and will allow for deliberating salary and compensation changes on a complete rather than incremental basis.

Clearer MOU Language Will Reduce City Controller Payroll Costs

The City Controller's Office administers the payroll processing for all City departments, except the Department of Water and Power. As the payroll administrator, it implements the salary, premium pay and permanent bonus terms and conditions of MOUs after they are approved by the City Council. Since each of the 40 MOUs contains uniquely negotiated terms, the process to modify the Controller's payroll system to assure that each City employee receives the pay and bonuses that they are qualified for is a

significant effort – in many cases involving re-programming the system to identify, and pay, those eligible.

The staff resources and programming effort involved is exacerbated by the inconsistent, complex and sometimes ambiguous terms negotiated between the City and the labor unions in many MOUs. When the MOU language is overly complex, vague or imprecise, the City Controller incurs unnecessary costs to interpret, administer and implement the MOU's terms and conditions.

Numerous examples we identified demonstrate that more consistent MOU language, clarification of the intent of some provisions and coordination with Controller staff before MOUs are finalized would reduce the cost and resources needed to administer and implement labor agreements.

Comparing Salaries for City Positions with Similar Private and Public Sector Jobs Adds Perspective

Los Angeles City employees are among the highest paid public sector workers in the region and nationally. Additionally, the robust retirement and health plans that Los Angeles City employees enjoy are significant benefits not seen in many comparable jobs. Information on the comparison of City salaries against a benchmarked group of similar public and private sector wages within the Los Angeles Region would provide decision makers with additional insights during deliberations.

In the six job classifications we sampled, the pay received by City employees is from 26 percent to 72 percent higher than salaries paid for comparable positions in the private sector within the Los Angeles Region. For illustrative purposes, the small sample of City positions we reviewed against comparative public and private sector salaries within the Los Angeles Region provides additional information that could be used by decision makers during salary negotiations and deliberations.

Section III – Additional Ideas for Consideration

It is a challenging time for those engaged in the labor negotiations process in the City of Los Angeles. The fiscal concerns expressed by many city officials, the pressure exerted on union leadership from rank and file members to replicate the contract negotiated by the Department of Water and Power with the IBEW in 2005, and extensive and impassioned press coverage are contributing factors. In addition, there is not a great deal of flexibility, as salaries and benefits make up nearly 70 percent of the city's annual $4 billion general fund budget.[2]

This is occurring while Los Angeles is also working at reducing crime and addressing such significant issues as education, transportation, affordable housing, gangs, poverty, pollution, an aging infrastructure, and the worst homeless problem in the nation. According to a recent study by the city-commissioned Los Angeles Economy Project, there is also a widening gap between high-wage and low-wage jobs. Job growth in Los

[2] Barrett, Beth. "L.A. Must Get Lean. Mayor Vows to Cut City Budget Deficit." Daily News (Los Angeles). March 6, 2006.

Angeles has been weak compared with the state and the rest of the country, and has been concentrated in the western and northern parts of the city.[3]

A city and its unions have a symbiotic relationship. The people who work for the city create a tableau on which the rest of the city's political, social and economic activity takes place. How effectively and efficiently city services are performed greatly influences the amount businesses are willing to invest in the city, as well as the ability of the city to attract residents and tourists. When city services are poor, or so expensively delivered that the economic health of the city is endangered, losses escalate, and negative, reinforcing consequences often occur.[4] Most of us have visited or lived in cities where this has happened.

Consequently, it became clear during the course of the study that, in addition to the labor negotiations process itself (discussed in Section I), seven underlying themes impact labor relations and negotiations in Los Angeles and need to be addressed. These seven themes are:

1. Many believe that Los Angeles City Government could deliver services more efficiently and effectively.
2. Many City union leaders are skeptical about the City's assertion that there is a serious fiscal crisis looming.
3. The impact of the 2005 Department of Water and Power/IBEW contract on the expectations of many of the other unions' rank and file members has been substantial.
4. As in all levels of government across the country, the City faces a looming succession planning crisis that warrants immediate attention.
5. Los Angeles lacks a substantial, coordinated, citywide strategic plan that involves major stakeholders, including the unions.
6. The City needs to find a way to produce substantial economic development, and "expand the pie" for the entire workforce, both private and public, through economic development, or labor relations tensions will likely increase.
7. While some notable labor-management efforts have occurred, labor-management committees in the City have not achieved their full potential for a variety of reasons.

Summary of Recommendations

The Mayor and City Council should consider the following recommended actions, approaches and initiatives as they proceed with labor negotiations with the City's employee bargaining units.

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[3] Cleeland, Nancy. "L.A. Group Strives to Build a Better Workforce." Los Angeles Times. February 26, 2006.

[4] Senge, Peter. The Fifth Discipline. (revised ed.) New York: Doubleday, 2006. This is a clear exposition of systems thinking, where these types of dynamics are described in detail.

Recommendations from Section I – Improving the Labor Negotiation Process:

- Adopt a citywide guiding philosophy for labor relations and negotiations, and a set of protocols to ensure consistency and coordination. This should include:
    - Reaching agreement with the Mayor, City Council, CAO and key department heads on the approach to be used in dealing with labor. Even if a full development of a guiding philosophy cannot be reached, it is essential to set protocols to increase coordination and consistency of the City's approach.
    - Obtaining common agreement among the City's management team on such things as what items to pursue, gathering comparable salary data, the range of settlement parameters, the true costs of previous negotiations, and the negotiation approach the City will employ with the unions.
- Re-establish the Labor Relations Specialist position in the City and recruit from departments individuals with the right skill sets and interest.
- Provide a comprehensive training program that includes the technical process of negotiations, contract administration, FLSA and PERB rules and regulations, arbitration process, and concepts of Interest-Based Bargaining and labor-management cooperation.
- Consider the analytical workload of the CAO's labor negotiators and determine if additional staff are needed.
- Increase the use of proven alternative dispute resolution strategies and methods, and move towards interest-based bargaining practices where appropriate, including:
    - Employing the most straightforward grievance mediation process as soon as possible.
    - For particularly contentious negotiations, obtain the services of an experienced labor relations facilitator from outside the City who is knowledgeable in interest-based bargaining techniques.
    - Considering the establishment of a program similar to King County, Washington's InterLocal Conflict Resolution Group that provides a wide range of mediation and alternative dispute resolution services.
- Those who are in a position to do so could help by mediating conflicts, assisting the parties in gaining perspective, and encouraging participation by labor and management in adopting proactive solutions that will benefit the City, as well as those negotiating.

Recommendations from Section II – Fiscal Implications of the Labor Negotiation Process:

The Mayor and City Council should consider the following actions during their labor negotiations:

- Utilize the functionality of PaySR to identify and unbundle permanent and temporary bonuses to create analyses to build full compensation models for job classifications and compare them to prior MOU agreements, and determine their fiscal impact including retirement and other benefits they may generate.

- Clarify which bonuses should be added to base pay and be subject to pension benefits and future COLAs and which should not.
- Analyze compensation provisions from a broader, multi-year basis rather than on an incremental, add-on to existing MOU terms.
- Determine the accuracy of MOU fiscal projections and estimates by conducting periodic "budget to actual" comparisons during the term of the contracts.
- Assess the impact of departmental overtime charges under typical MOU salary and bonus terms and conditions using historic data during negotiations.
- Obtain benchmark private and public sector comparative salary data for the Los Angeles Region for the positions covered by the MOU during negotiations.
- Establish common MOU language for similar bonus and premium pay categories with input from the Controller's Office to ease in the interpretation and implementation of agreed upon terms. Ensure MOU provisions include a clear description of the unit of measure (e.g. specific pay period or hours) used.
- Assure that MOUs contain a clear outline of qualifying conditions for bonuses, allowances and other pay premiums that specify the job classification and criteria needed to receive the benefit, and a specific date when the payment should be received.
- Clarify which bonuses or pay premiums are subject to tax withholding and inclusion on the employee's W-2.

Areas to Contemplate from Section III – Additional Ideas for Consideration

- "Open the City's Books" to all stakeholders to assure transparency. This would include:
    - Holding meetings with unions where experts would discuss budgetary issues.
    - Considering data-driven trends, rather than economic peaks and valleys, during negotiations.
- Incorporate a variety of strategies, including labor-management cooperation, to assist in identifying efficiencies, streamlining City operations, increasing productivity, improving customer service, and enhancing the quality of work life. This would include:
    - Conducting management audits and reviews, and training managers and supervisors in performance management techniques.
    - Considering a reporting approach similar to New York City's Mayor's Management Report that outlines how well vital services are being performed.
    - Establishing labor-management committees focused on improving outcomes, that might initially address such areas as workers compensation, risk avoidance, pension and health challenges.
    - Addressing the implications of the Department of Water and Power's salary imbalances with other City departments, and the long-term IBEW labor contract.

    - Considering providing incentives for efficiencies and cost savings obtained through labor-management initiatives
- Address the succession planning issue with the unions. This would include:
    - Establishing a joint labor-management committee to research succession planning and present research and ideas to the City's leadership.
    - Building on existing mentoring, vocational and apprenticeship programs to create opportunities for youth in Los Angeles.
    - Enhancing the effectiveness of the managers and supervisors who will be promoted to fill vacancies created by retirements.
- Develop a citywide strategic plan for all of Los Angeles, including plans for specific policy areas. Involve the major stakeholders, including the unions, in:
    - Expanding on past initiatives by addressing broader strategic goals and including a wide range of stakeholders (e.g. unions, businesses, community and faith-based organizations).
- Bring together major stakeholders, including the unions, to do both short and long-term economic development planning for the City as well as for the region, including:
    - Building on the City's "brand" by investing time and energy on a few projects with a high potential for adding new revenues and higher paying jobs.

Introduction

The City of Los Angeles is the second most populous city in the United States with an estimated 2005 population of 3.96 million persons. Founded in 1781, Los Angeles has seen continuous growth in population and economic diversity from its beginnings as a provincial outpost to its current standing as a worldwide center of commerce, entertainment and industry.

A Mayor elected for a 4-year term is the executive officer of the City and a 15-member full-time City Council acts as the legislative body enacting ordinances subject to the Mayor's approval. The Council also adopts a budget, authorizes the number of employees in most City departments, creates employee positions and fixes salaries. The City has 40 departments, bureaus, commissions and offices for which operating funds are annually budgeted. Additionally, five departments (the Department of Water and Power, Harbor, Airports, and two pension systems), the Community Redevelopment Agency, and Housing Authority are under the control of Boards appointed by the Mayor and confirmed by the Council.

Budget Formulation and Adoption

The City of Los Angeles' fiscal year 2005-06 budget for all funds is approximately $5.95 billion. The City Administrative Officer (CAO), appointed by the Mayor and confirmed by the Council is the chief financial advisor on budget issues for the Mayor and Council and reports directly to both. By April 20th of each year, the Mayor submits a proposed budget to the Council. The Council examines the proposed budget in public Budget and Finance Committee hearings involving the department managers, CAO and staff. The Committee then develops recommendations for Council consideration, and pursuant to City Charter, the Council must adopt or modify the proposed budget by June 1st.

Once the Council has acted, the Mayor has five working days to approve or veto any Council changes made to the proposed budget. In turn, the Council has five working days to sustain or override by two-thirds vote the Mayor's actions. The result of this process is the adopted budget for the next fiscal year.

Labor Negotiation Process

Employee relations for local government in California is governed by state law.[5] In 1971, the City adopted its own Employee Relations Ordinance as permitted by state law that established the following process for labor negotiations:

Under California law, public sector collective bargaining is referred to as "meet and confer", and contracts with recognized employee organizations are called "Memoranda of Understanding" (MOU).

- Oversight is provided by the **Employee Relations Board (ERB)**, which has powers comparable to those of the National Labor Relations Board (NLRB) and Public Employee Relations Board (PERB) of the State of California. It adopts rules and resolves disputes arising out of the labor relations process.

[5] Myers, Milias, Brown Act, California Government Code § 3500 et seq.

- Bargaining instructions are recommended to the City Council by the **Executive Employee Relations Committee (EERC)**, consisting of the Mayor, President of the City Council, President Pro Tempore of the City Council, and Chairs of the Finance and Personnel Committees of the City Council. The EERC is required to meet no later than April 1 of each year with the City's management representative (the CAO) to give advice and instructions with respect to the City's bargaining position in the meet and confer process (this provision was added in June of 1978).

- All Memoranda of Understanding (MOUs) negotiated by the CAO and the unions must be ratified by the **City Council**. Most MOUs begin in July and end in June. Traditionally, they have been for three years, although there have been occasional exceptions of two or five years.

- The **City Administrative Officer (CAO)** is the Management Representative and chief negotiator. The seven CAO negotiators are assigned to specific Departments. In addition, the CAO performs many other important labor relations functions, which include:
    - Keep the Mayor and City Council informed, and provide advice regarding the status of employee relations activities in the City
    - Provide advice and technical staff assistance to department and office heads and management representatives in meeting and conferring with representatives of recognized employee organizations, prepare memoranda of understanding, deal with impasses and job actions, and assure reasonable uniformity among departments in all aspects of the City's employee relations program
    - Monitor and evaluate the employee relations program and recommend appropriate revisions to policy, procedures and rules to determining bodies or officials
    - Conduct special negotiations on issues such as retirement benefits/separation pay plans, impact of reorganizations, alternative work schedules, changes in discipline procedures, LAPD Consent Degree impact or payroll system modifications
    - Lead or participate in Joint Labor Management Committees on flexible benefits, employee parking, worker's compensation and safety, PRIMA and security consolidation
    - Represent the City or provide advice to departments in unfair employee relations practice hearings or grievance arbitrations
    - Monitor implementation of the Fair Labor Standards Act, and provide ongoing advice and training to City departments as well as help develop modules in the City's payroll system to ensure compliance
    - Issue Employee Relations Bulletins and coordinate regular meetings of Personnel Directors to assist departments in understanding employee relations issues
    - Conduct and respond to surveys of salary and benefit practices

    - Recommend salaries for new classifications and pay grades; establish pay grade descriptions and approve all pay grade upgrade requests
    - It is important to note that the CAO is also responsible for city finances, and does budget projections for the city as well.

- The **City Attorney's Office** acts in an advisory capacity, and provides support to the EERC.

- The **chief administrative officer of each City department or office**, or the employee authorized by him/her to act in such capacity, is designated as the City's management representative in formal relationships with representatives or recognized employee organizations on matters which are properly within the scope of representation and on which the head of the department or office is the determining official. Memoranda of understanding on matters concerning which the head of a department or office is the determining body or official shall become effective when approved by that body or official.

- The **Personnel Department** provides reports and recommendations to the Board on those issues and elements of the employee relations program involving Personnel Department responsibilities. In addition, Personnel provides advice and assistance to department heads and management representatives, and keeps the Mayor, City Council and other officials advised of such matters. Personnel also issues guidelines for departmental working rules, coordinates the views of concerned departments on the appropriateness of proposed representation units, maintains liaison with and provides assistance to the employee relations staff, and provides training to assist operating departments.[6],[7]

The City of Los Angeles currently employs approximately 46,000 persons, the vast majority of whom are represented by 25 unions within 40 bargaining units (only 2% of the City's employees are not represented by a bargaining unit). Currently, the City faces a substantial challenge since employees in 14 of the bargaining units are working under MOUs that expired in 2003 and 2004, and an additional eight MOUs will expire by June 30, 2006.

Scope and Methodology

In response to Mayor Antonio Villaraigosa's request, Los Angeles City Controller Laura Chick issued a solicitation for proposals in September 2005 to conduct a study of the City of Los Angeles' labor negotiation policies, processes and practices. In October 2005 the City Controller contracted with Sjoberg Evashenk Consulting, Inc. who subcontracted with Cornell University's School of Industrial and Labor Relations to study the current labor relations process and identify areas for improvement, while Sjoberg Evashenk focused on the fiscal impacts of the negotiations. The study's objectives are to:

- Review negotiations executed within the last three years for "lessons learned," as well as review negotiations currently underway.

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[6] City of Los Angeles Employee Relations Ordinance. February, 1971, September 2000.
[7] City of Los Angeles Employment Division. "Employee Relations." Briefing document. 2005.

- Evaluate and "map" the City's current collective bargaining process.
- Conduct a nationwide search for promising practices the City could incorporate into the collective bargaining process.
- Evaluate the fiscal impacts of labor negotiations.
- Evaluate the role of and incentives for each party in the process.
- Evaluate the labor-management relationships outside of the bargaining process.
- Identify opportunities for improving labor-management relations.

In preparing this study, we conducted numerous interviews with key stakeholders and interested parties. We also reviewed a wide variety of documents, including many provided by those interviewed. (The names of the Los Angeles organizations whose staff participated in the interviews are provided in Appendix A, and a list of the documents reviewed in Appendix C.) Several consultants with extensive experience in city labor relations processes and practices assisted in either conducting the interviews or in providing valuable background material. Jonathan Walters of Governing Magazine did a search of promising practices. Fourteen Cornell faculty members contributed to the report, as well as faculty from Harvard's Kennedy School of Government and UCLA. In addition, we consulted with union and city officials from cities we have worked with, including Seattle, Philadelphia, Phoenix, Portland (Oregon), Minneapolis, Cincinnati, Detroit, Fort Lauderdale, Portland (Maine), Baltimore and New York.

We reviewed recently negotiated MOUs and the cost estimates prepared by the CAO for these agreements. Generally, we found that the cost estimates that CAO provided to EERC and the City Council were based on reasonably calculated cost elements and factors available at the time the estimates were prepared. Consequently, we focused not on what these estimates were, but on what additional data would be valuable to decision makers during MOU deliberations.

To obtain information on permanent and temporary bonuses, COLAs and other pay premiums, we reviewed approximately 30 MOUs negotiated over the past 10 years. We also worked with the City Controller's Office to analyze payroll data from its legacy payroll system and from PaySR, the new system installed in 2004. Finally, we gathered comparative salaries from the California Employment Development Department for the Los Angeles Region.

Section I: Opportunities to Improve the Labor-Management Negotiations Process

We interviewed over one hundred people involved in the labor negotiations process in Los Angeles, and were repeatedly impressed by their intelligence and commitment. The managers, union officials, and elected officials and staff were as thoughtful, resourceful, engaging and concerned as any we have ever met. And yet, Los Angeles is facing a challenging time in labor relations. Many of the underlying reasons for this are described in Section III. Other contributing factors are structural in nature, and largely reflect the shared power inherent in local government. In this study we have chosen to focus on those facets of the labor negotiations process that can be most readily addressed. In this section, we describe five barriers that are directly affecting the negotiations process, and offer recommendations.

The negotiations process is described in Appendix B. The roles and responsibilities of those involved in the process have been provided in the Introduction to this study.

Five Barriers to Effective Negotiations and Labor Relations

1. There is no citywide labor relations philosophy, and the city is inconsistent and uncoordinated at times in its approach.

In Los Angeles, as in many jurisdictions, management responsibility and power is shared among a variety of entities.[8] While this has many advantages, it has also led to difficulties in articulating a consistent citywide labor relations philosophy and approach. Coordinating activities, sharing information, and implementing decisions have also been problematic at times. The efforts of the city departments, the CAO, the Personnel Department, the EERC, the City Council and the Mayor's Office are not entirely integrated. Nor are discussions regularly held that could clarify and resolve differences, and help ensure that the city is presenting a unified approach to the unions. No protocols have been developed for working through differences of opinion or for communicating consistently with the unions. This has led to situations where one or more of the parties representing the city have not supported each other, and/or have allied with the unions.

2. Labor relations as a profession has been neglected in the city. Many departments are not fully engaged in the negotiating process.

We have noticed a trend in the public sector, as labor relations professionals retire and budget pressures mount, to underestimate the skill sets required for these positions, and to hire new staff with little experience or training. Los Angeles has been doing this for some time. The Labor Relations Specialist job classification was eliminated years ago,

[8] Kochan, T.A. "A Theory of Multilateral Collective Bargaining in City Governments." Industrial and Labor Relations Review. July 1974: 525-542. *This classic article is an excellent resource for understanding some of the structural challenges inherent in municipal collective bargaining.*

and there has been movement throughout the city into these positions of people from many different job classes who usually have no labor relations background, and often do not stay for a significant length of time. This is compounded by a lack of training in labor relations, and by the policy followed by at least one department of rotating staff every two years. This turnover and inexperience has often led to a profound lack of institutional memory, and to the unions having much more experience and knowledge of the history of negotiations and conditions within the departments. (Until very recently, one of the largest departments did not even have a Personnel Director, and the department has had a history of being very vulnerable with regard to past practices.)

As a result, the unions frequently hold a distinct advantage in their dealings with departmental labor relations staff. This inexperience of staff has, despite the dedication of many of them, also led to many missed opportunities, such as the ability to "broker" agreements and mediate potential conflicts, as well as to assist their departments in coming to negotiations prepared with lists of opportunities to improve operations.

Years ago the CAO's office had seven negotiators and seven research assistants who could take notes, do research, and provide support. They also worked closely with departments in between negotiations to identify and help with the resolution of problems, as well as help them prepare for the next round of negotiations. The long list of other responsibilities of the CAO's labor relations staff described in the Introduction is now done by a much smaller group, and each negotiator has to do much of his or her own research, as well as take notes during negotiations. They are also expected to be specialists and experts in areas such as family medical leave and the Fair Labor Standards Act. And many of the most experienced staff have either retired, or will be retiring in the next five years.

In Los Angeles, it is the unions who have the luxury of preparing well in advance of negotiations, who attend training sessions regularly, and who engage in sophisticated strategic planning activities, while the city labor relations staff in most cases struggle to keep up with their responsibilities. As one city department General Manager stated, "there is rough water ahead, and we are ill prepared."

3. Overall, tensions between labor and management have been increasing, and proven methods to help reduce conflict are not being used as extensively as they could be.

Section III of this study describes many of the reasons for the increase in tensions. Contract negotiations are one part of the labor-management relationship. The day-to-day interactions in the workplace, when poor, can become a catalyst for grievances and expensive arbitrations and lawsuits. The quality of supervisory and managerial practices, and how well grievances are handled, can have a great effect on the negotiations themselves. If done poorly, negotiations can become a lightning rod for what has occurred during the life of the contract.

There are a variety of methods that can be used to reduce conflict during and between negotiations. Various forms of alternative dispute resolution are available and are very effective, although they are not incorporated in Los Angeles nearly as much as they could

be. For example, grievance mediation, which inserts a mediation step into the grievance process, has been found to be very useful at all levels of government.[9] It is a provision in many of the MOUs, but is not used extensively. The city's history of settling claims for substantial amounts of money, and the effect on union leadership of having to deal with chronically unhappy members, also provide additional incentive to increase the use of these methods.

4. The bonus terms, language and provisions in MOUs are currently not easily managed or monitored.

Los Angeles has many types of negotiated bonuses, and they cover a wide variety of areas, including night-shift differentials, special job skills such as flying a helicopter or bilingual work, tools and uniform allowances, informal compensation for staff who are working out of title (sometimes for years), and hazard pay for SWAT and bomb-squad members. Permanent bonuses alone cost the city over $117 million per year. While many of these are common in municipalities, and play an important role in retention and recruitment, there are widely acknowledged problems with the way the system has developed and been administered over the years. As one union leader said, "Almost all of them are kind of patchwork in response to something evolved over time but not necessarily in any kind of context of what prudent management would do."[10]

And while they have been relatively easy to negotiate, they have been very difficult to administer. The payroll system has struggled to adequately reflect bonuses, and supervisory implementation of the bonus system has often been inconsistent. The result is a great deal of work for administrative and payroll staff, an increased number of grievances, as well as additional "salt in the wounds" to those who feel Los Angeles city government is poorly run and wasting a great deal of the taxpayer's money. (See also Section II of this study.)

5. Perspective is increasingly being lost by some of those involved.

William James once said, "The art of wisdom is the art of knowing what to overlook." Effective labor relations is almost always highly dependent upon the ability of the parties involved to maintain perspective and develop respectful and honest working relationships. When this fails, it is far too easy to attribute unsavory motives, become increasingly petty, and/or justify one's own poor behavior. Once the ability to see the other parties as human beings with a legitimate role to play is lost, it is easier to begin to believe one's own rhetoric. Another critical consideration here is the perception of many citizens (and much of the press) that city government is ineffective, wasteful and filled with ungrateful, spoiled workers who are already overpaid. Instead of becoming increasingly alienated from each other, labor and management need to be able to work together to fix what is broken, enhance services and improve their image with much of the public.

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[9] Osborne, David and Peter Plastrik. The Reinventor's Fieldbook: Tools for Transforming Your Government. San Francisco: Jossey-Bass, 2000.

[10] Laidman, Dan. "Bonuses Swell Pay for Police, Firefighters." Daily News (Los Angeles). March 21, 2006.

Section III of this study describes the varied and compelling dynamics that are currently operating for many of those involved. It is understandable that under these circumstances, perspective would be lost. However, it is precisely at times like these that perspective is most needed.

Recommendations

Recommendation #1:

Adopt a citywide guiding philosophy towards labor relations and negotiations, and a set of protocols to ensure consistency and coordination.

We realize that the separation of governmental powers, political pressures, and the vagaries of personality will always make the adoption and implementation of a consistent labor relations philosophy and set of protocols challenging. However, whenever consensus can be reached and agreements kept, the city's ability to be more effective in its work with the unions will be enhanced. We recommend the following be considered:

- ***An agreement on the labor relations philosophy that would govern the approach used by the city in its dealings with labor.*** This agreement would be reached by the EERC, CAO, City Council, Mayor, Personnel, and key department heads. The philosophy, while no doubt challenging to create, could be used as a touchstone to determine whether the city's behavior in a given situation is consistent with the goals and values previously established. (Samples from other jurisdictions can be provided, if desired.) It should also be periodically revisited, particularly when significant changes in city leadership occur. The philosophy should include:
    - The goal for engaging in labor relations processes
    - The climate that the city's representatives believe should exist as a result of implementing these processes
    - The extent to which the city's fiscal conditions need to be a consideration, as well as agreement about those conditions (It may be necessary to provide the same sort of opportunity to review the fiscal information to city representatives that is suggested for the unions in Section III.)
    - The extent to which and in what manner the economic welfare of represented city employees should be a factor (the issue of working towards equity could also be addressed)
    - What role, if any, the city's representatives believe labor has in addressing city service delivery issues, work safety issues, cooperating with management on major organizational development initiatives, etc.

- The expectations city leaders have with respect to how their representatives will be treated, and how they will treat union representatives in the process

- Any other points considered worth including

- ***Even if the full development of a guiding philosophy is not possible due to time constraints, it is essential that a set of protocols be established to reduce the lack of coordination and consistency in the city's approach to labor relations.*** Ideally, the protocols would be agreed to by the EERC, CAO[11], City Council, Personnel, Mayor's office, and key department heads. Given the separation of powers, it may be very difficult to obtain agreement, and if a majority of the members of the City Council and all of the City Council members on the EERC do not feel this is possible, then the protocols should be adopted, at a minimum, by those who are in the Executive branch of government. Or, perhaps all of the parties would agree to use them in certain circumstances. Limited implementation would not be ideal, but would still reduce the number of occurrences where the city is not operating in a consistent, coordinated fashion. It is also hoped that the need for the protocols would be reduced as conditions improve. Over time, peer and outside pressure to adopt a consistent approach may also increase. The set of protocols could include the following components:

  - ***A mechanism for ensuring communication of key developments, as well as the involvement in critical decisions by all who are affected by them, or who have important information and knowledge to share about those decisions.*** (This would include, for example, the requirement that city departments participate in and provide input before and during discussions related to critical aspects of negotiations that affect their operations.)

  - ***A way of sharing information and attempting to mediate disagreements between city representatives when there is a difference of opinion on how to proceed, before moving forward***. For example, an interim, mediated step could be created if a department disagreed with the approach being taken in a particular negotiation. Another way to accomplish this, which is fairly common in a number of jurisdictions and does occur in Los Angeles at times, is to have several skilled staff available to act as "brokers" to move between the parties involved and assist in preventing conflicts and also in resolving issues. (See recommendation number two in this section).

  - ***A method to help ensure consistency in approach upfront, wherever possible.*** Of course, if a change in direction is required because of new circumstances or new information, it would be discussed by all of the interested parties in advance. However, moderating a stance once at the bargaining table solely because of political pressures on key individuals

[11] In Los Angeles, the CAO is responsible to both the Mayor and the City Council. The Personnel Department is a separate department and reports directly to the Mayor. Both the budget and labor relations functions are the responsibilities of the CAO, and these protocols should be particularly helpful to the CAO and Personnel.

would seriously damage the city's ability to effectively negotiate in the immediate circumstance and in the future.

- ***The creation of a vehicle, if possible, that would allow all in city government to listen to union requests, whether contractual or operational, and to discuss these requests with the appropriate parties in management before taking any other action.*** This would prevent or reduce the undermining of management decisions previously made, or about to be made. If the managerial parties in disagreement could not reach resolution, a respected internal or external mediator could work with them in an attempt to resolve the issue. It would be challenging to develop, but perhaps a set of consequences could be agreed to in advance for those situations where parties who had stated they would follow the process ended up acting in bad faith, and conducting "end runs" around other managers in city government.

- ***A recognition that all contracts are ultimately connected, and that coherent, consistent, and rational strategies are needed.***

- ***Finally, all management representatives, including elected officials, must come to common agreement on at least the following issues prior to negotiations with a union:***

  - ***What proposals on behalf of management are acceptable to pursue with the union?*** (For example, in one city with a very strong labor political presence the Mayor and City Council members elected not to pursue the elimination of double-time, overtime with the unions who already had that in their contracts because they felt there were other more important issues that would require the use of their political capital.)

  - ***What comparable jurisdictions will be used in making decisions associated with economic parameters?*** (Some public sector jurisdictions insist upon only using public sector organizations of similar size in analyzing economic proposals, others choose to use certain private sector jurisdictions for some specific functions, and others use both, including data from the last ten years).

  - ***What are acceptable initial proposals, as well as settlement parameters, for wage and benefit issues? (***This can include a full pricing sheet with various options, and real costs.)

  - ***What were the true costs of the previous negotiations, including bonuses and cost of living adjustments?*** (See Section II of this report.)

  - ***Will negotiations be driven by trends and data analysis, and a commitment made to avoid "boom or bust" type of negotiations?*** Will negotiations focus on the impact of MOU provisions over time, and not as much on incremental changes that result from looking only at the current negotiations?

- ***What negotiations approach should be utilized to obtain an agreement?*** (In some instances the use of an interest-based bargaining approach may be particularly suited to negotiations with one union, but not at all appropriate with another. Decisions associated with the style of negotiations to be used can be as important in some cases as the parameters established with respect to the issues.)

- ***What parameters do city representatives believe are appropriate in addressing issues that are likely to be presented by a union?*** Which issues are likely to surface after negotiations have begun? (This will require excellent communication with the city's representatives who are decision-makers in the process, but not physically present at the negotiations themselves.)

Recommendation #2:

Build internal capacity within the City departments to more effectively engage in labor relations. More departments need to become involved in the negotiating process.

There are many costs, hidden and obvious, to neglecting the labor relations function, including poorer results at the negotiating table, lost opportunities for efficiencies and cost savings, and less productivity because of poor relationships in the work place. In addition, the city has paid out approximately $55 million dollars in Fair Labor Standards Act settlements in the past fifteen years. From 2000 through July of 2005, there have also been 510 arbitrations and 125 UERP filings involving the six largest unions.[12]

We recommend the re-establishment of the Labor Relations Specialist position, and that plans be made to recruit within the department for people with the right skill sets and interest in the field. This proposal would be cost neutral, as the function is already being performed. (We know of at least two departments where this is currently informally being done.) Partnerships could be formed to develop a training and mentoring plan with those within city government who are experienced and effective in the positions, qualified volunteers from outside organizations, experienced city retirees, and those about to retire. Perhaps an arrangement could also be made with local universities, the California Public Employment Labor Relations Association, and/or the Federal Mediation and Conciliation Service to provide some on-site training.
The following are qualities important for labor relations professionals, including negotiators:

- Honest/Trustworthy/Possesses integrity
- Disciplined (including disciplined in speech)
- Intellectually curious/demonstrates genuine interest in the perspectives of others
- Excellent listener

[12] City of Los Angeles, Office of the CAO. April, 2006. *Data was not available on how many of these have been won by the city.*

- Articulate/capable of expressing complex issues clearly and concisely (verbally and in writing)
- Empathetic/able to reflect back to the other party a sincere understanding of his/her point of view
- Tactful and sensitive to the feelings of others
- Patient
- Responds appropriately to pressure and conflict, and is not easily intimidated
- Has accurate insights about his/her behavior and the behavior of others
- Optimistic about the possible range of fair and reasonable outcomes, while also maintaining a strong sense of detachment
- Values differences and is able to relate respectfully to everyone
- Possesses good analytic and reasoning skills
- Creative
- Good facilitator
- Emotionally intelligent

The CAO and the Personnel Department currently offer very helpful and well attended Human Resources Roundtable discussions quarterly with departmental human resources personnel to provide information on important developments. ***In addition, training in the following areas is recommended for labor relations staff, where appropriate:***

- An understanding of the technical process of negotiations, including the duty and scope of bargaining, the timing and order of settlements, and obtaining parameters
- Contract administration
- FLSA compliance
- PERB procedures and case law
- The arbitration process, including grievance investigation and processing, evidentiary standards and objections, and standards of just cause
- Interest-Based Bargaining, and concepts related to alternative dispute resolution
- Tenets of labor-management cooperation

There has been little training for line supervisors and managers in the field of labor relations in Los Angeles in recent years. Many do not understand the legitimate role played by labor, or the duty of fair representation, although the vast majority of supervisors and managers are union members themselves. (Research and our own experience have shown, however, that the union affiliation of managers and supervisors does not significantly affect their ability to be loyal to the missions of their departments.)[13]

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[13] Eaton, Adrienne E. and Paula B. Voos. "Wearing Two Hats: The Unionization of Public Sector Supervisors." Going Public, The Role of Labor-Management Relations in Delivering Quality

We have also observed over the years that supervisors and managers are often uncomfortable with conflict, and that union leaders and shop stewards are not only comfortable with conflict, but often carry their roles as "champions of the oppressed" with a passion that often evokes a very personal and defensive response from management. ***Training and mentoring for supervisors and managers in effectively handling conflict, as well as in the roles and responsibilities of the union, should help in reducing the number of inappropriate supervisory and managerial responses that lead to poor morale and increased labor relations costs.***

Special attention will also need to be paid to issues such as the Fair Labor Standards Act, and medical leave policy. We recommend an analysis be done of previous settlements, grievances and arbitrations to find the areas that will need the most attention. The CAO and some departments with a significant number of grievances currently perform some of this analysis, and can be helpful here. (Some jurisdictions take any settlement money lost as a result of violations directly from the non-personnel budgets of departments that have a history of these problems, as an added incentive for managers in those departments to address the issue.)

We also understand there has been very little managerial and supervisory training in recent years, largely as a result of fiscal concerns. ***Attention needs to be paid to how to blend the mentoring discussed earlier with inexpensive yet effective training methodologies (again, technology can help here) to elevate the level of supervisory and managerial practice.*** Benefits of training and mentoring will include a better-managed workplace and improved morale, as well as less money spent on settlements, grievances and arbitrations. Enhanced relations between labor and management, and an increased ability to listen to union concerns, should also result in less tension in the workplace, a more fruitful dialogue around any proposed changes, and fewer "end runs" made to appointed and elected officials by the unions. The ability to work issues out at the lowest possible levels will also be enhanced if the protocols on management consistency discussed earlier are adopted. And improved labor relations, because some managers and supervisors are performing more effectively as well as understanding the role of the unions and reacting less defensively, may reduce or eliminate many of the reasons why unions feel the need to go to elected and appointed officials in the first place. For their part, unions also have a responsibility, of course, to treat managers and supervisors with respect.

Increased attention also needs to be placed on departments becoming more active in applying the terms of the MOUs throughout the life of the contract, as well as in identifying problem areas and proactively bringing new issues to negotiations that could improve departmental operations. In the past, it has not been uncommon for some departments to go into negotiations with no strategy or list of ideas that would be helpful to them. Departments need to take the time to review the current MOU, and ask what has worked, what hasn't worked, and what could be added or done differently that would help them in the next round of negotiations. In addition, more departmental involvement in negotiations may assist in reducing the problems caused by adopting MOU language

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Government Services. Eds. Jonathon Brock and David B. Lipsky. Champaign, IL: Industrial Relations Research Association, 2003.

that is too loose and then subject to differing interpretations later. (Recently, members of the Mayor's staff have begun working with the CAO and several departments to prepare for negotiations.) Labor Relations Specialists could assist departments with these tasks, as well as collaborate with both labor and management to identify and help prevent potential problems. One model that currently works well is in the Los Angeles Police Department, where the Employee Relations Administrator works closely with the Police Chief and the police union on these issues, as well as on mentoring and developing future labor relations staff.

It would be also be very helpful to once again have several individuals responsible for doing analytic work in the CAO's office. These analysts could be responsible for generating the data and research necessary to support the actual face-to-face negotiations process, as well as help research important policy areas and new developments. They would work closely with the negotiators, and could also act in an apprenticeship capacity. (The ratio of analysts to negotiators is usually one analyst for every three negotiators.)

Recommendation #3:

Increase the use of proven alternative dispute resolution strategies and methods, and move towards interest-based bargaining practices where appropriate.

There are a variety of proven alternative dispute resolution methods that can be applied in many different ways to government settings, depending upon the circumstances.[14] They are not a substitute for the formal contractual procedures already in place, but can be used very effectively to supplement them when all parties are willing to participate. ***We would recommend that one of the simplest, most straightforward methods, grievance mediation, be incorporated as soon as possible***. Grievance mediation involves adding a mediation step to the grievance process. It has been found to be very effective in reducing the number of cases that go to arbitration, as well as in helping labor and management work together in a more proactive and collaborative way. As we mentioned earlier, grievance mediation is already a provision in many city MOUs, and could be used more extensively. Many resources in California are available to assist with grievance mediation, including the California Mediation and Conciliation Service, local universities, the California Public Employee Relations Association, and the Federal Mediation and Conciliation Service. A variation on this is to establish departmental Joint Labor Management Committees (JLMCs) focused on grievance prevention, where the JLMC's designees are also engaged in joint problem solving, recommending improvements in conditions that often result in grievances, fact finding, and mediation at the second step (Harvard has been using this method successfully for some time.)

Grievances are often a challenging and time-consuming factor in the workplace for both labor and management, and the opportunity to work with them in a more constructive fashion may help to build a better relationship. (This may also speed up the process. In at least one department there is some concern that a time limit is needed for mediation.

[14] Lipsky, David B., Ronald L. Seeber, and Richard D. Fincher. Emerging Systems for Managing Workplace Conflict. San Francisco: Jossey-Bass. 2003.

At times, a union may file for impasse but the mediator does not call back, and many months elapse before the mediation occurs.)

Over time, it is hoped that labor relations would progress to the point where some form of interest-based bargaining could be used at times when negotiating MOUs. However, it is not always appropriate. (It generally takes longer, and works best with open communication and some trust). Efforts to do this in Los Angeles in the late 1990's were not particularly effective. When the correct conditions exist, however, it can be very useful.[15] SEIU and AFSCME have both had considerable success using it around the country. UCLA has a great deal of relevant experience, and could be very helpful in working through the process with any interested parties.

Even if interest based bargaining is not used in negotiating MOUs, the general principles should be incorporated in the mediation of grievances described above. We would also recommend the use of many of these principles and methods in other disputes within the city, including possible disagreements between city representatives in preparation for negotiations, conflicts over classifications of positions, and any other critical opportunity where they are likely to be effective.

Interest-based bargaining is based on the early 20th century writings of Mary Parker Follett, as well as more recent work by Roger Fisher and William Ury of the Harvard Negotiating Project.[16],[17] It has been used very effectively in the public and private sectors for several decades, and its main tenets include:

- Separating the people from the problem;
- The sharing of all relevant information;
- Focusing on the underlying interests of the parties (their concerns, needs, fears and hopes) instead of on positions;
- Recognizing the legitimacy of the other parties interests and needs;
- Developing multiple creative solutions to satisfy those interests;
- Understanding that often interests may be different but not conflicting;
- Using objective criteria/standards to evaluate the options;
- Incorporating effective follow-up methods; and
- Focusing on long-term as well as short-term impacts and effects.

In general, the process often results in more creative and thoughtful approaches to solving seemingly intractable problems, enhanced relationships, and improved outcomes and agreements that tend to stay in place for a longer period of time.

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[15] McKersie, Robert B., Susan C. Eaton and Thomas A. Kochan. "Kaiser Permanente: Using Interest-Based Negotiations to Craft a New Collective Bargaining Agreement." Negotiating Journal. January 2004. *This is an interesting, in-depth account of how the parties crafted their agreement. The Appendix contains many references to effective examples of interest based bargaining.*

[16] Follett, Mary Parker. Prophet of Management. Cambridge, MA: Harvard Business School, 1995.

[17] Fisher, Roger, William Ury, and Bruce Patton. Getting to Yes, Negotiating Agreement Without Giving In (2nd ed.). New York: Penguin Books, 1991.

In the short term, because of the likelihood that upcoming negotiations will be very difficult, the inclusion of a highly skilled labor relations facilitator from outside the city who is knowledgeable and experienced in the principles of interest based bargaining might be considered for some of the negotiations. More active participation from departments, as well as the assistance of new staff in the Mayor's office with significant labor relations experience, may also be helpful.

At some point, coalition bargaining, at least with regard to some or all of the major contract provisions (wages, health care, retirement, layoff and recall provisions, etc.) could be considered. Seattle has done this with considerable success. It is efficient and easier to manage in the long run, although the actual face-to-face negotiations are more challenging because of the number of individuals involved. Los Angeles has had some experience with this already, having previously negotiated health care provisions with all of the unions.

Finally, we would recommend that establishing a program similar to the InterLocal Conflict Resolution Group (ILCRG) in King County, Washington State, be considered at some point. This is a shared neutral program begun in 1998 and funded by King County. A variety of mediation and alternative dispute resolution methods are offered across jurisdictions, both city and county, with impressive results. About one third of the mediators are employed as managers, one third are affiliated with unions, and one third are private practice volunteers.[18] We encourage the city, Los Angeles County, and the Los Angeles County Federation of Labor to consider establishing a similar entity.

Recommendation #4:

Assure the appropriateness and manageability of MOU bonus provisions and language.

It is critical that problems with the bonus system be addressed to eliminate any wasteful expenditures involved, and to bring more credibility to city government. While Section II of this study explores this issue in much more detail, we would like to point out that the adoption of a citywide bonus system that is rational, fair and easy to administer would also have a positive effect on labor relations in the city. As mentioned earlier, grievances can result from problems related to the inconsistent administration of the current bonus system. At times bonuses are provided by departments as a way to work around such practices as leaving critical positions unfilled for years. (Employees who fill these positions are then compensated for this out of title work through bonuses.) Bonuses are also sometimes awarded as a way to retain and recruit employees when departments experience difficulty in filling positions because the pay is considered to be low for the skills required. Instead of bringing this to the attention of city administrators who could make systemic adjustments, department managers sometimes informally use the bonus system to compensate these employees. We recommend these types of practices be identified, and sensible and fair policies be implemented in their place.

[18] McBroom, Ann, and Stephanie Bell, eds. "About the InterLocal Conflict Resolution Group." King County, Washington. 2005. *(We will provide this document if there is interest.)*

Recommendation #5:

Those who are in a position to do so could help by mediating conflicts, assisting the parties in gaining perspective, and encouraging participation by labor and management in adopting proactive solutions that will benefit the city, as well as those negotiating.

This is a challenging time for labor relations in the city of Los Angeles. We have no illusion that the successful resolution to many of the vexing problems outlined in this study will be easy or painless. Some of the parties appear to be "boxing themselves in" with regard to possible options, and making it more difficult to craft workable, fair and creative solutions. In reviewing the situation, the famous line from Jean Renoir's 1939 film "The Rules of The Game" comes to mind: "The annoying thing about people is, everybody has their reasons." When viewed from each of the parties perspectives, it is not difficult to see why each party responds the way it does.

We have provided a variety of strategies that could be used to resolve conflicts and assist the parties in working together effectively to address the many serious problems facing Los Angeles. ***The final strategy we would like to suggest is that those who are in a position to influence the parties involved in these conflicts use every appropriate opportunity to offer perspective, mediate, broker possible solutions, and encourage everyone involved to bring their very best intentions and selves to the table.*** There are a number of leaders in Los Angeles who have positive relationships with many of the primary "protagonists" from labor and management that transcend political affiliation or faction. We are aware that some are already attempting to do what we are suggesting, and we encourage them to continue to do so, as well as invite others to step forward where appropriate.

For years, Los Angeles was considered by many to be the epitome of the "reluctant metropolis," the city that was really an anti-city of "faux rural suburbs."[19] It is particularly ironic, and poignant, that these challenges are occurring at a time when Los Angeles seems at long last on the verge of leveraging the enthusiasm, energy and intelligence of so many, and of embracing its incredible potential as a world class city. Los Angeles is a treasure. It is also needs, more than ever, the very best from those who work in it.

[19] Fulton, William. The Reluctant Metropolis: The Politics of Urban Growth in Los Angeles. Baltimore, MD: The Johns Hopkins Press, 1997 and 2001.

Section II – Fiscal Implications of the Labor Negotiation Process

In Los Angeles, all bargaining agreements negotiated by the City Administrative Officer (CAO) and the unions must be ratified by the City Council to become effective. Each of the 40 Memoranda of Understanding (MOU) resulting from these negotiations are complex contracts that generally bind the parties for the duration of the agreement – usually three years, but occasionally for two or five years. The MOUs provide cost of living allowances (COLA), permanent and temporary bonuses and other premium payments. Particularly in agreements with the City's largest unions, these MOUs are effectively contracts for hundreds of millions of dollars to provide needed City services.

Because of their importance, the negotiations surrounding MOUs are given great weight by the Mayor, City Council, EERC and CAO. Estimates of the MOU fiscal impacts are provided by the CAO using information gathered from the City Controller's payroll system, the Personnel Department and other sources. Generally, we found that the CAO's estimation and projection processes used to provide MOU fiscal impacts were reasonably based on the limited data available from the Controller's legacy payroll system. Consequently, we focused our study on opportunities to provide additional, more detailed fiscally-related information to assist the City's decision makers during negotiations and deliberations. In this Section we address the following three areas:

- Expanding the use of newly available payroll data to provide not only more specificity regarding the fiscal impacts of the MOU being negotiated, but more information on the benefits received over the past negotiations.
- Assuring that MOU terms and language can be efficiently and effectively administered and implemented by the Controller's Office and departmental payroll offices.
- Providing additional perspective regarding the MOU salaries being negotiated by benchmarking these salaries against what other Los Angeles Region employers pay for similar services.

Future Cost Estimates of Labor Agreements Can Now Be More Detailed

Over the years, the CAO has served as the primary negotiation point representing City management in the labor negotiation process. CAO staff in the Employee Relations Division calculate estimates and projects costs related to the various compensation provisions discussed and negotiated during the contract discussions that ultimately result in a MOU between the City and the respective union. Historically, CAO staff and managers built contract cost estimates and budget projections incrementally— that is, beginning at the existing level for most wages and benefits, applying the proposed percentage or dollar increases to payroll and compensation data for broad categories of employees, and creating estimates of the resulting additional and total costs relative to each MOU. These broad estimates were included in the reports provided to the EERC and to City Council for deliberations to approve the contracts.

These estimates and projections were reasonable and were built using the best data available, which was gathered from the City Controller's legacy payroll reporting system. Therefore, while CAO staff strived to reasonably calculate the impacts and implications of negotiated terms, the estimates provided to the EERC and City Council were in gross terms and incremental amounts, limited in great part by the lack of detailed salary and individual bonus data available. Recently, more detailed data on salaries, bonuses and overtime on many City departments has become available with the PaySR system's implementation.

On a go-forward basis, the City should approach each proposed wage and benefit provision with a full-compensation paradigm such that decision-makers not only understand the overall and incremental costs, but also the average total compensation package and various components within that package for groups of employees. More detailed information now available from PaySR will assist in this process. This "build up" approach will ensure that decision-makers fully appreciate the total compensation provided to employees and will enable them to compare among employee groups to ensure fair treatment.

The City Controller's Legacy System Provided Limited Data for Cost Projections

To calculate the impact of proposed increases or changes in compensation elements, the CAO staff relied on data obtained from the City Controller's legacy payroll system. While the data are likely reliable, the legacy system generates only consolidated payroll information and lacks the capacity to provide detail relative to the many components comprising employees' pay. This legacy system accommodates basic pay levels and steps and coding for shift differentials by job classification, but lumps all other "permanent bonuses" into a single sum and functionally cannot "unbundle" or provide any level of detail relative to the many bonuses included in employees' paychecks. As a result, during contract negotiation processes, CAO staff would develop cost estimates and projections by applying proposed cost of living percentages to weighted average salaries for the related job classifications.

Using the data for each major classification, the proposed cost of living or salary percentage increase would be applied to each grand total weighted average to determine the new total cost related to that position. As the following example illustrates, there is a limited amount of data that can be used for analytical purposes. There are certain codes related to general categories of bonuses or shift differentials, but the nature or application basis of the bonus can only be obtained from individual employee's payroll histories. Another item of note relative to the lack of data generated from the legacy system is illustrated in Table A—employees with the same salary range, salary step, and shift code (or lack thereof) reflect different amounts of pay without a notation signifying a bonus or other differential. From the data provided in the City Controller legacy system, CAO analysts have no way of understanding the reasons for these variations.

Table A. Example of Data Provided in City Controller's Legacy System

Salary Wage Report

Title	(Class) Code	Bonus	Shift	Step	(Salary) Schedule / Range	Current Rate	No of Employees	Present Bi-Weekly Cost	Weighted Average
Security Officer	3181								
Council Controlled	3181			1	1671	1,336.80	1	1,336.80	
Council Controlled	3181		2	1	1671	1,411.20	1	1,411.20	
Council Controlled	3181			2	1671	1,411.20	2	4,233.60	
Council Controlled	3181		2	2	1671	1,489.60	1	1,489.60	
Council Controlled	3181			5	1671	1,660.80	20	33,216.00	
Council Controlled	3181			5	1671	1,706.40	1	1,706.40	
Council Controlled	3181		2	5	1671	1,753.60	11	19,289.60	
Council Controlled	3181		2	5	1671	1,801.60	4	7,206.40	
Council Controlled	3181	N	2	2	1671	1,530.40	1	1,530.40	
Council Controlled	3181	N		5	1671	1,753.60	1	1.753.60	
Subtotals							33	73,173.60	2,217.38

Excerpt from 3/2/06 Wage and Count Report—MOU 18 as an example only.

While the Wage and Count report can be sorted and produced by either department code or MOU number, these reports have critical limitations in that, in addition to the lack of detail noted above, reports only reflect data at the point in time the report is run; therefore, reports for prior periods or period-specific cannot be generated. Therefore, they must be generated at the appropriate time and unless reports are maintained year-to-year there is no way of taking a backward look at this data to assess the relevance or accuracy of the estimates generated from the selected pay periods.

Temporary Bonuses or Allowances Are Not Included in Standard Pay or Pensions

"Temporary" bonuses comprise another important aspect of salaries and wages that may substantially impact the compensation costs the City incurs as a result of pay negotiations. Temporary bonuses, allowances, and special pay provisions for such reasons as hazardous or obnoxious conditions or temporary assignments are administered on an as-earned basis. These bonuses are instituted by the employee's supervisor and input into the timekeeping/payroll system by the payroll office in the employee's department. Generally, these temporary bonuses and allowances, unless specifically stipulated, are not included in employees' pension calculations. Further, these amounts, like overtime payments, are not included in the salary calculations presented in the Wage and Count report.

Using the legacy system, it is difficult for CAO staff to estimate the cost implications of changes or incremental increases to these allowances and temporary bonuses. Unlike bonuses or allowances that could apply to the majority of employees within a job classification, and therefore can be reasonably estimated from the Wage and Count report, temporary bonuses apply to particular individuals or situations and are typically paid on a day-by-day or hourly basis. Thus, temporary bonuses are far more difficult to project, as the legacy system is a payroll system not a personnel system and lacks the functionality to sort or select the necessary specific characteristics relative to employees who might receive these benefits. This lack of important data is particularly problematic

as MOUs contain a multitude of bonuses that are subject to approval and control of departmental supervisors and not subject to the same level of scrutiny or oversight as other compensation components. We are told that many of these bonuses in practice may be more broadly applied and approved than intended or expected, and thus, far more expensive than imagined. Consequently, as the City can obtain little reliable data on such payments, it cannot accurately manage or estimate the costs related to temporary bonuses.

Permanent Bonuses Generally Add to Employees' Base Salary

Premium pay and permanent bonuses pose far greater challenges and cost implications than allowances. The various MOU provisions afford a vast variety of elements that increase bi-weekly pay checks; some of these premiums and permanent bonuses increase an employee's base pay by moving the salary from one to several pay scale steps while many others are set amounts or a percentage calculation that is added to base pay plus premium pay. As an employee earns or is granted these bonuses, their pay record in the City Controller's legacy system is updated for each permanent bonus. However, once the bonus item is entered, the system collapses all the individual bonuses into one bonus amount and the only way to access the detail is by querying the system on an employee-by-employee basis.

The City has agreed to a plethora of permanent bonuses with a multitude of application methods. More common permanent bonuses include bilingual pay differentials and sign language premiums for employees using those skills in the course of their work, or allowances for boots and uniforms. While the terms of these payments vary—some in annual total dollar stipends or bi-weekly compensation, while others are dollar amounts added to the hourly compensation rate. Moreover, certain permanent bonuses are based on flat base pay while others are calculated on base salary plus premium or permanent bonuses.

Other permanent bonuses are job or skill specific and contract provisions spell out the requirements for the payments. For example, MOU 5 (executed in May 2005) provides "Deputy Pay" for employees in the classes of Assistant Inspector, Code 4208, Construction Inspector, Code 7291, and Senior Construction Inspector, Code 7294 and stipulates:

> *"(these employees) shall receive, in addition to all regular and premium compensation, the following amounts for holding valid registration(s) as Deputy Building Inspectors in the categories show below in accordance with Ordinance No. 162435.*
>
> A. *Prestressed Concrete—forty-one cents ($.41) per hour. Effective July 1, 2005 the amount shall be one dollar (1.00) per hour.*
> B. *Reinforced Masonry—one dollar and nineteen cents ($1.19) per hour. Effective July 1, 2005 the amount shall be one dollar and twenty-two cents ($1.22) per hour.*
> C. *Reinforced Concrete—one dollar and nine cents ($1.09) per hour, except as noted below. Effective July 1, 2005, the amount shall be dollar and ten cents (1.10) per hour except for as noted below.*

The amounts paid in accordance with subsections A through D above shall be adjusted by the same general salary percentage adjustments provided for in Appendices C through D."

As illustrated in the example above, bonuses may apply to an entire job classification and may include an acceleration clause. Further, this example shows that employees are often eligible for more than one bonus should they meet the qualification or specification provisions – in this case having more than one registration. Permanent bonuses similar to the aforementioned example may also be particular to certain employees within a department or to a specified group of employees. For example, MOU 5 also applies to Harbor Department employees "holding a Reinforced Concrete registration on October 1, 1979, who shall receive one dollar and sixty-three cents ($1.63) per hour as long as such registration is operative".

This build up of pay from regular pay may involve a number of bonus components. Some bonuses and allowance components are based on regular pay (per the pay schedule) or may be calculated based upon regular pay plus certain bonuses. Further, certain bonuses are considered as part of regular pay for calculating the amounts of other bonuses, pension contributions and overtime. In the following example, we illustrate the build up of the pay of a prototype or hypothetical Firefighter III:

Firefighter "A" Biweekly Pay

Classification:	Firefighter III – Salary Step 6 (Schedule 4A)		$3,120.00
	Biweekly EMT Bonus[1]	$ 86.00	
	3% EMT Bonus[2]	93.60	
	Fire Education Bonus Level 1[3]	31.20	
	Longevity 15 Years Fire[4]	149.60	
	Uniform Allowance[5]	28.25	
	Total Amount of Permanent Bonuses		$ 388.65
Total Regular Biweekly Pay			$3,508.65

[1] Article 8.3, Section V(A) of MOU 23 provides "Members of this Unit (with the exception of Firefighter I's and II's, while on probation) who have and maintain certification as an EMT-1 or EMT-P shall received special pay of three percent of regular pay, and this EMT bonus shall be calculated on regular pay which includes Hazmat, Urban Search and Rescue, Heavy Rescue hazard pay, or Special Duty premium pay".

[2] Article 8.3, Section V(B) of MOU 23 provides "All members of this Unit shall be assigned the responsibility as acting as primary responders to emergency medical incidents….Effective July 1, 2003, each employee of this bargaining unit (with the exception of Firefighter I's and II's, ….who are certified as an EMT-1 or EMT-P shall receive special pay of $81 biweekly…[increasing to] $86 biweekly effective July 1, 2005".

[3] Article 8.6 sets out criteria for educational bonuses that are either 1 or 3 percent depending upon educational units completed and years of LAFD uniformed service. This bonus is calculated on regular pay plus any special pay for Hazmat, Urban Search and Rescue, and Heavy Rescue hazard pay or other Special Duty premium pay.

[4] MOU 23, Appendix A sets out compensation for longevity of service—effective July 1, 2005, firefighters with more than 15 years but less than 20 years of service receive additional compensation of $149.60 biweekly.

[5] Uniform allowance is set in MOU 23 at $28.25 biweekly.

MOU 23 sets out labor provisions for firefighters and fire captains. Compensation factors for this group of nearly 3,500 city employees are fairly complex and include a variety of pay provisions to recognize special assignments and qualifications including helicopter, fireboat, Urban Search and Rescue, hazardous materials, and paramedic and ambulance. As illustrated in the above example, determination of a firefighter's biweekly compensation begins with the appropriate salary schedule and step and other elements of special pay, permanent bonuses, and allowances are added to that base. In addition to bonuses or premium pay directly related to assignments and special qualifications, firefighters may also qualify for language and longevity (tenure of service) bonuses.

While not all city employees are eligible for such a broad range of compensation differentials as firefighters or law enforcement officers, many premiums and bonuses are negotiated with employees of the 40 different bargaining units. The example of pay for Firefighter A is intended to illustrate the complexity of determining just the base or regular pay for each category of employee and the potential range of cost implications associated with each pay differential. Moreover, the implications of various salary provisions are further complicated when considering the impact to overtime and pension costs of many of these elements.

City Controller's New Payroll System Can Provide Valuable Data

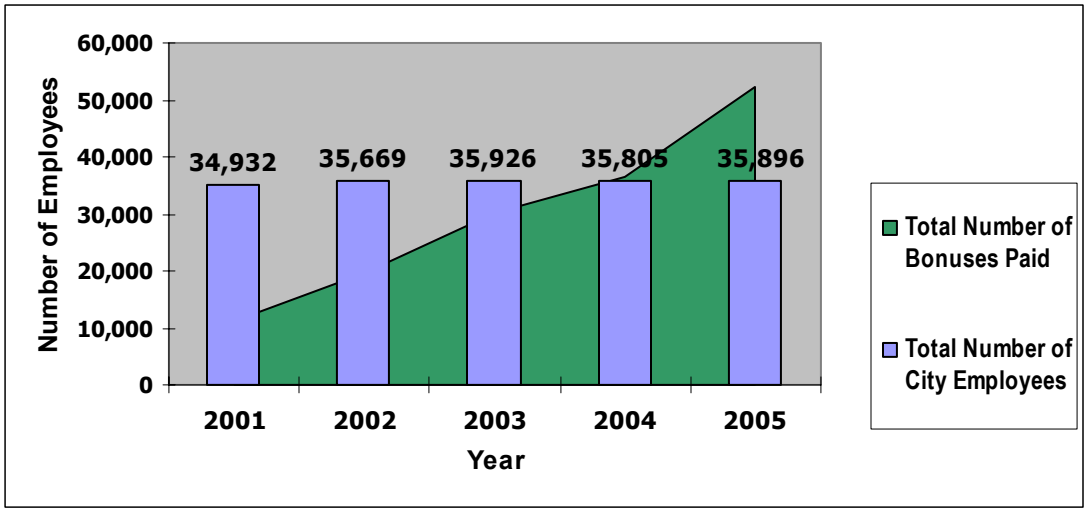
In November 2004, the City Controller implemented a new payroll and personnel system, known as PaySR. Once fully operational, this system, unlike the legacy system discussed earlier in this section of this report, will provide a vast amount of data related to various aspects of personnel management including the elements needed to appropriately estimate and budget for benefits negotiated during the collective bargaining processes. As of March 2006, we understand that PaySR includes most of the basic data relative to city employees (excluding those employees of the Department of Water and Power); its data base includes three years of detail for certain departments, such as the Los Angeles Fire Department, and three years of basic payroll data for most others.

Currently, City Controller staff are working to input the detail and build out the full functionality that will identify each individual permanent bonus or premium pay item as well as allow the real-time generation of management reports keyed many elements of data originating from timesheets and Form 41 (employee personal action documents). Moreover, the system has the functionality to generate reports for a specific time period, allowing historical analysis and estimate-to-actual reviews. Even with the system not fully implemented, a vast amount of invaluable data is available; the system appears user friendly and intuitive and reports can be easily converted to Excel spreadsheets for data manipulation and analysis as we have done for this analysis.

Using the PaySR extractor component, the City Controller staff generated a number of reports relative to wage and compensation components. These reports reflect the profound cost implications of permanent bonuses and overtime to the City's salary expenditures. As shown in Table B, over the past five calendar years, the number of individual permanent bonuses that city employees (not including employees of the Department of Water and Power) received rose from 11,383 to 52,272, a greater than

four-fold increase. During that same period, the number of employees working for the City remained fairly stable, increasing approximately 2.8 percent from 34,932 to 35,896.

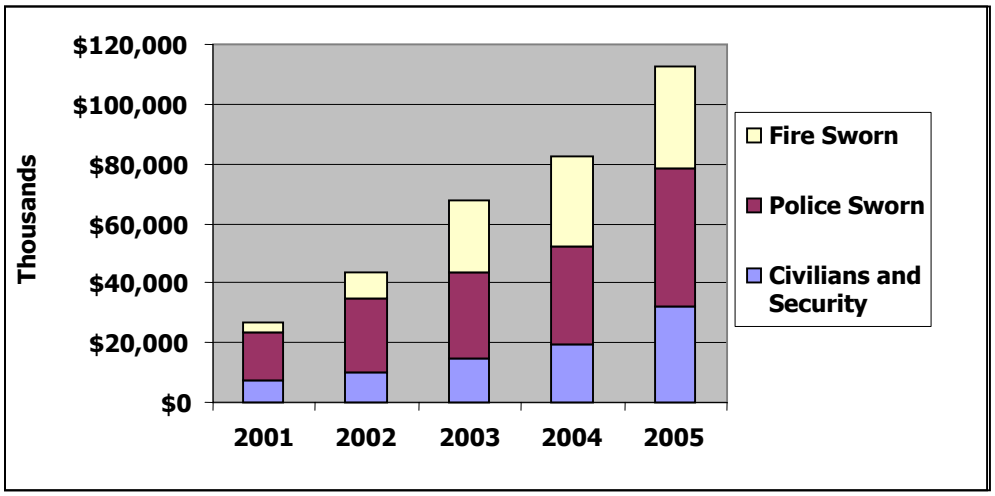
Table B. Growth of LA City Employees and Number of Permanent Bonuses Paid



Data obtained from the Los Angeles City Controller's Office

The costs related to these permanent bonuses are significant. In calendar year 2001, the City Controller reports reveal that the City spent nearly $27.7 million on permanent bonuses amounting to approximately $793 per year for each employee receiving permanent bonus compensation. As shown in Table C, over the next four years, the annual amount of bonus per employee increased over four-fold or 310 percent—totaling about $3,264 per year; however, the number of employees receiving these bonuses also increased, boosting the total costs of permanent bonuses to over $117 million in calendar year 2005.

Table C. Costs of Permanent Bonuses-Calendar Years 2001-2005

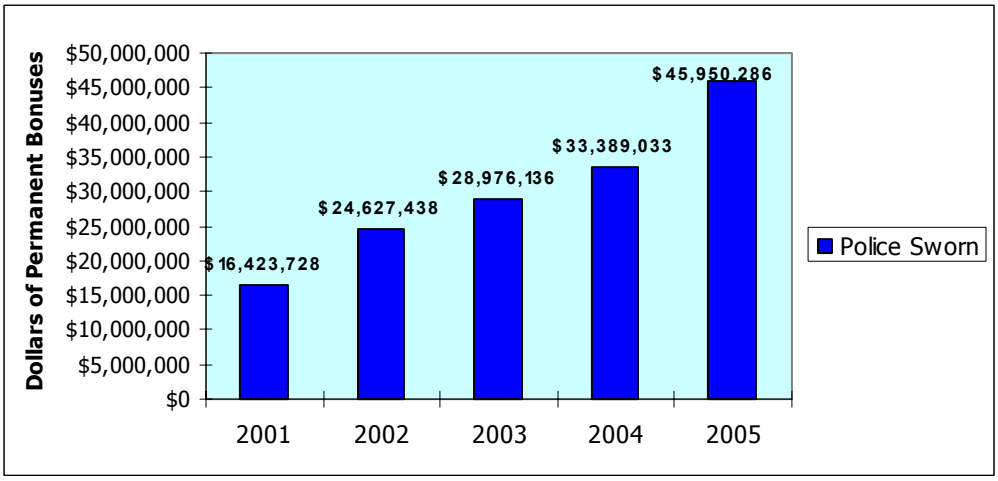


Data obtained from the Los Angeles City Controller's Office

In the 2001 calendar year, City Controller data indicates that the number of permanent bonus payments for civilian and security employees (groups excluding sworn fire and police, and employees of Department of Water and Power) totaled 2,585; by 2005 the number of bonus payments to this group of employees rose to 11,455 comprising about

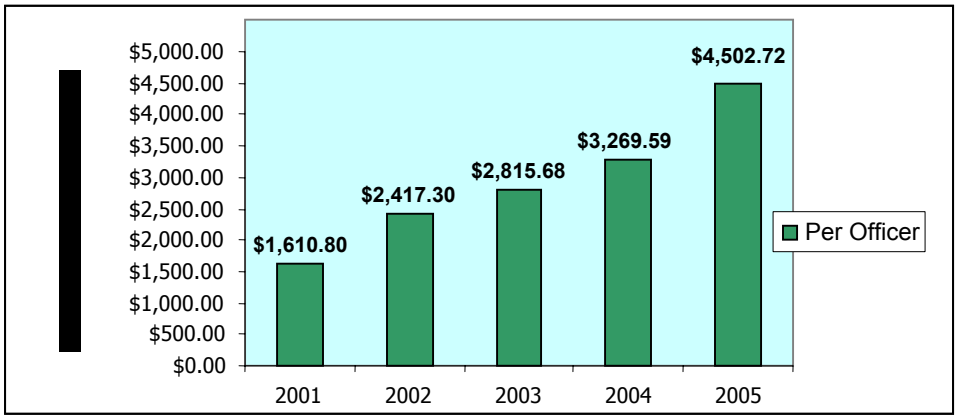
22 percent – yet they earned approximately 27 percent of all permanent bonuses paid out—$32.351 million of the total $117,189,106.

Table D. Total Costs of Permanent Bonuses—Police 2001-2005



Data obtained from the Los Angeles City Controller's Office

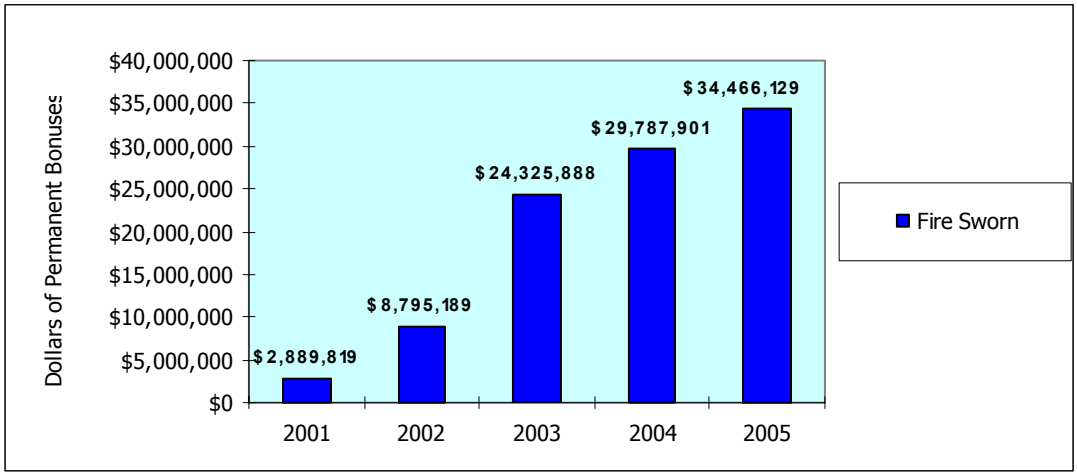
Table E. Average of Permanent Bonus Per Police Officer 2001-2005



Data obtained from the Los Angeles City Controller's Office

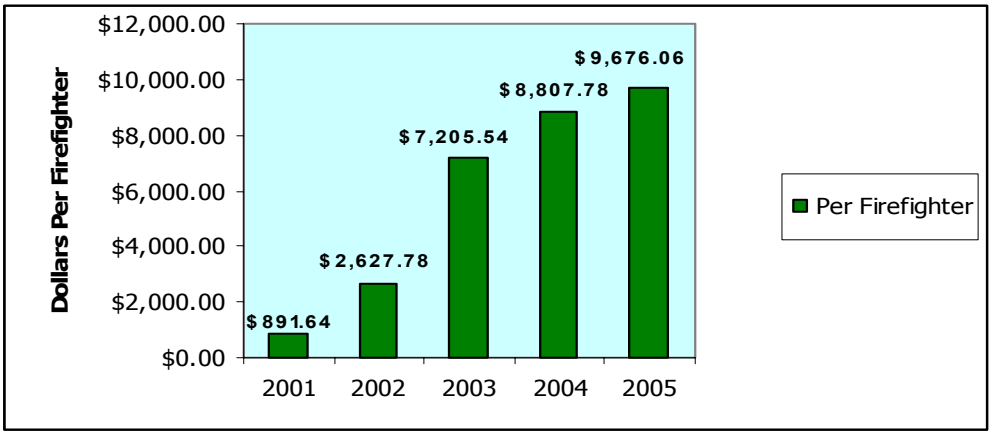
In addition, during 2001, the City paid permanent bonuses relative to sworn police of $16,423,728 to $10,196 individuals, equating to about $1,610.80 per person annually. For the 2005 calendar year, although the number of officers remained fairly stable at $10,205 the total amount of permanent bonuses paid to sworn police swelled to $49,950,286 and the amount per employee increased to $4,502.70. Tables D and E illustrate the growth in total amounts paid to sworn police during the past five calendar years. In Tables F and G, we present similar data for firefighters. Similar to the police force the number of firefighter has remained fairly stable over the last five years, but the average amount of permanent bonus per firefighter has significantly increased. Specifically, in 2001, 3,241 firefighters averaged about $892 per year in permanent bonuses. In 2005, 3,562 firefighters averaged bonuses rose to $9,776. As illustrated in the two tables, the total costs of negotiated permanent bonuses for police and fire have increased—police costs have risen nearly 180 percent from 2001 while firefighter costs have increased nearly 11 fold or about 1093 percent.

Table F. Total Costs of Permanent Bonuses—Fire 2001-2005



Data obtained from the Los Angeles City Controller's Office

Table G. Average of Permanent Bonus Per Firefighter 2001-2005



Data obtained from the Los Angeles City Controller's Office

The City Controller's staff are currently converting historic data for many departments and MOUs that will enable the CAO and City Controller access to "unbundled" bonus data for financial management purposes. Although the conversion is still in progress, more detail is already available than before. Currently, PaySR allows users access to "read only" data that can be identified and sorted to easily create custom reports.

Reports prepared by the City Controller reveal that, thus far in the conversion process from the Legacy system to PaySR, more than 150 bonus categories have been created to support the unbundling of the permanent bonuses. Some categories are generic, such as "Uniforms", and can be used to code uniform allowances across MOUs and departments. In fact, for the 2005 calendar year, 8,211 City employees received uniform allowances costing a total of $5,768,288.80 or an average of $702.51 per employee per year. Other categories require unique identifiers and may relate to a single job classification, for instance, the City police permanent bonus classification, "K9 Handler Narcotics Division." To further illustrate, the City Controller's report reflects 65 codes for firefighter's bonuses—11 of these bonuses apply to a single individual. Similarly, 32

bonus categories relate to the City police and seven of these apply to fewer than five people.

In addition to the data presented in the tables earlier in this section, we worked alongside City Controller staff to create, on a real-time basis, a number of statistical and management data reports to allow us to understand the fiscal implications of permanent and temporary bonuses. For example, we discovered that within MOU 2, Los Angeles World Airports paid six painters and four plumbers shift differentials during the first biweekly pay period in September 2005 and nine electricians assigned to the Wastewater Collection System received shift differentials and/or permanent bonuses for obnoxious conditions. In relation to MOU 3, data reveals that 17 messenger clerks at the Library Department received a biweekly language bonus of $32 for a March pay period whereas 31 clerk typists at that department earned language bonuses ranging from $37.50 to $41.60 during that period, and the total for all MOU 3 biweekly language bonuses for that period equaled $4,161.60. The reports we generated showed over 40 departments are represented under MOU 3 and that employees within that bargaining unit earn nearly $270,000 per pay period in permanent bonuses.

We believe that the preceding examples demonstrate that utilizing the full range of PaySR functionality offers a great breadth and depth of data that will enable negotiators and other decision makers invaluable data for determining the costs of past contract provisions and for estimating and projecting proposed contractual agreements.

Overtime Costs Pose Another Significant Wage and Salary Cost

In the past, decision makers estimated overtime using general historic data; it was difficult to consolidate figures between departments and across job categories. Nonetheless, the cost of overtime pay is significant, especially given the fact that most is paid at a time-and-a-half basis. As discussed earlier in this section, permanent bonuses may be included in the basis for determining overtime pay rates. Consequently, providing decision makers with as much detail of estimating the impacts of overtime on salary and bonus increases will prove invaluable for budgetary purposes. Working alongside City Controller staff, we developed reports to estimate the costs of overtime for one biweekly pay period for several MOU units.

Under the PaySR timekeeping system, we were able to identify each employee recording an overtime transaction. Four types of transactions may take place: overtime earned and paid out that pay period at 1.5 times pay; overtime earned and paid out that pay period at straight time; overtime earned at 1.5 times of pay and banked for future use or payout; and overtime banked either paid out or used. As an example, MOU 18 represents approximately 1,460 employees in a variety of departments. During one biweekly pay period in September 2005, unit employees logged 21,561.5 overtime hours and the City paid out $697,731.20 in overtime payments. Because data from PaySR may be exported into Excel software, users may easily sort this data to identify multiple entries for one employee, determine total amounts per department, or to find out how much overtime was paid to Security Officers at the Airport, for instance (8,484.7 hours of overtime at a cost of $277,118.40 for 246 employees).

To provide some context of the cost of overtime, we worked with City Controller's staff to extract reports for six sample MOUs for units 1, 3, 4, 18, 23 and 37. These reports reflected payroll data for one biweekly pay period in September 2005. Table H provides the results for these bargaining units.

Table H. Overtime Statistics for 6 Bargaining Units—
One Biweekly September 2005 Pay Period

MOU Unit	Name of Group Represented	Approximate Number of Employees Represented by MOU	Number of Overtime Hours Charged in the Biweekly Period	Total Amount of Overtime Paid Out in the Pay Period
1	Administrative Unit	2,340	4,420.1	$157,766.13
3	Clerical and Support Services	4,616	16,148.0	$480,250.50
4	Equipment Operation & Labor Employees	3,633	23,159.9	$744,246.70
18	Safety and Security Employees	1,458	21,561.5	$697,731.20
23	Firefighters and Fire Captains	3,431	97,371.3	$3,363,788.45
37	Executive Administrative Assistants	114	99.6	$2,891.63

Data provided by the City Controller.

We did not determine whether the pay period selected for our review is indicative of annual overtime payments for these six units; rather, this data is presented to illustrate the significance of costs related to overtime payments and the need to consider the implications of wage and compensation agreements on overtime costs. Certainly not every employee within each of the six units earned overtime during the single pay period and many may not accrue overtime at all during a year. Nonetheless, we believe the PaySR system should be used to provide labor negotiators, EERC and the City Council with a complete picture of the cost implications of the various COLA, permanent and temporary bonuses, and other premium pay being considered. This will assure that the final decision is based on the most complete and accurate cost estimates possible at that time.

Clearer MOU Language Will Reduce City Controller Payroll Costs

Currently, the City Controller's Office implements the salary, premium pay and permanent bonus terms and conditions of MOUs after they are approved by the City Council. Since each of the 40 MOUs contains uniquely negotiated terms, the process to modify the Controller's payroll system to assure that City employees receive the pay and bonuses that they are qualified for is a significant effort – in many cases involving re-programming the system to identify, and pay, those eligible.

The staff resources and programming effort involved is exacerbated by the inconsistent, complex and sometimes ambiguous terms negotiated between the City and the labor union in many MOUs. When the MOU language is vague or imprecise, the City Controller incurs unnecessary costs to interpret, administer and implement the MOU's terms and conditions.

Imprecise MOU Language

We were told by management in the Controller payroll unit that imprecise or vague MOU language, or the absence of needed language, caused inefficiencies in identifying, calculating and paying employee's their negotiated bonuses and premium payments. These include:

- Determining how to pay employees who accrete (transfer) from one bargaining unit to another, since no MOU instructions exist concerning this issue.
- Dealing with differing interpretations of the units of measure used to pay bonuses or premiums, such as a workday, pay period, term of service, etc. Because these "units" are not defined in the MOUs, they are subject to varied interpretations even among CAO negotiators.
- Determining which special payments or bonuses are taxable, should have tax withheld, and are includable in W-2s and which are not. Some MOU language alludes to payments being non-taxable, while others state the bonuses are taxable. For example, bi-weekly uniform allowances have taxes withheld, although annual uniform allowances do not (but they are reported on the employee's W-2).
- Assessing when to pay a special payment or bonus if the exact date for payment is not included in the MOU. For example, the MOU may give a month, but not a specific day of the month (e.g. first or last day).
- Identifying which group of employees is to receive a special provision, such as a bi-weekly uniform allowance. Current MOUs do not specify the employees by class codes, titles or provide exceptions, requiring clarification discussions between the CAO and Controller.
- Assuring that union deductions and agency fees are accurate when no specific deduction amount or computation method is included in the MOU.

Overly Complex MOU Language

Moreover, MOUs also include complex terms or conditions that cause the Controller's Office to expend additional time and effort implementing contract provisions (e.g. manual processing or system re-programming). These complexities include:

- Determining when and how to compound the various bonuses for employees who receive multiple bonuses. For example, some bonuses are a percentage derivative of base salary, some are compounded upon other bonuses and some are a percentage of cumulative bonuses. This often requires system re-programming and obtaining CAO interpretations and clarifications.
- Addressing the complexity of rules governing what percentage of a bonus is pensionable versus non-pensionable. For example, in one MOU the first 2 percent of a 5.5 percent bonus is subject to pension calculation, while the remaining 3.5 percent is not.
- Identifying what part of a bonus is temporary and which part is permanent is complex because MOUs sometimes split bonuses between the two. For example, on a given 5 percent bonus, the MOU provides that one-half is temporary and one-half is permanent. This requires that department payroll offices manually maintain the

temporary bonus on each affected employee's time records. The permanent portion is managed by the Controller as a permanent bonus subject to retirement provisions.

- Continually adding new bonus codes in MOUs has created a potential system limitation since the Controller is running out of codes. Payroll system enhancements will be needed if the City continues to negotiate new bonuses.
- Implementing retroactive bonuses when MOUs are approved beyond the calendar year in which they are effective Because they impact a prior tax year, the Controller must manually process certain portions due to system design limitations.

All of these issues suggest a need for the City to consider some standardization of the terms and conditions it employs across all 40 MOUs it negotiates to assure that the final agreements can be efficiently and effectively managed by the City Controller and departmental payroll personnel. Additionally, the CAO and Controller's Office would benefit from more close coordination during the MOU negotiation process to identify provisions being considered that are potentially costly to administer.

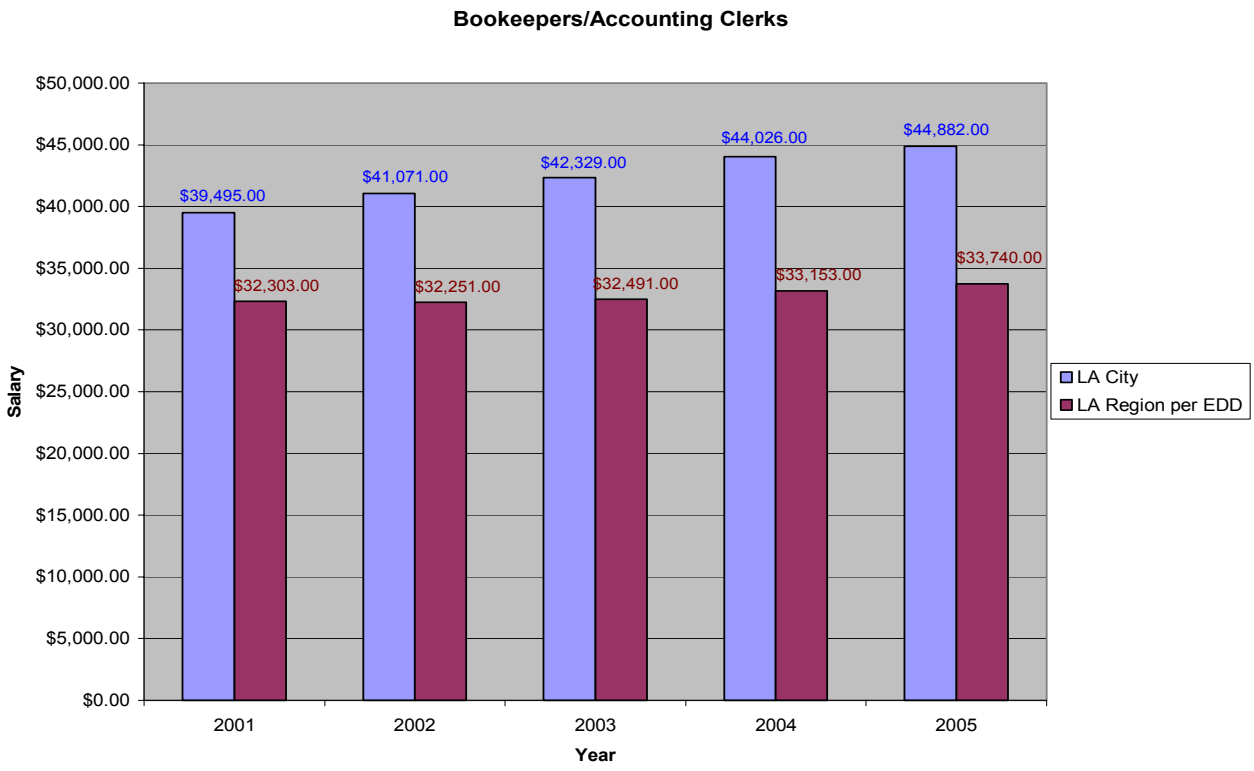
Comparing Salaries for City Positions with Similar Private and Public Sector Jobs Adds Perspective

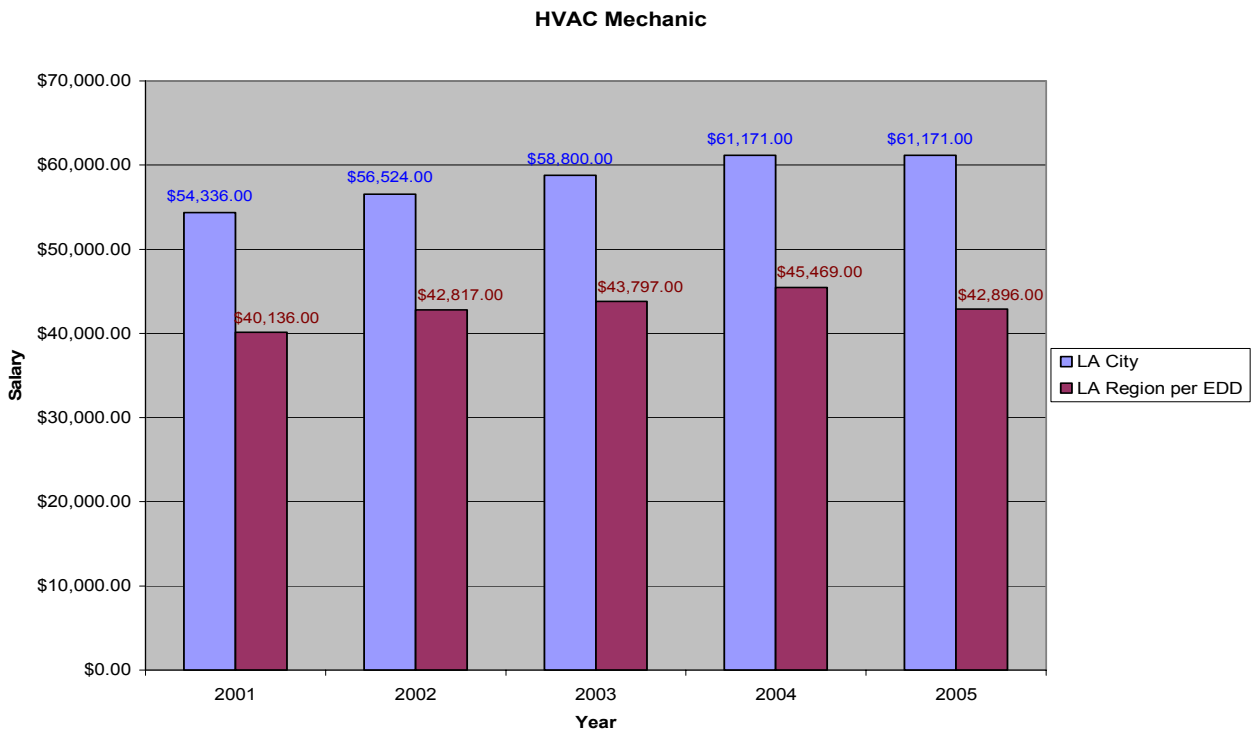
As discussed in Section I of the report, Los Angeles City employees are among the highest paid public sector workers in the region and nationally. Additionally, the robust retirement and health plans that Los Angeles City employees enjoy are significant benefits not seen in many comparable jobs. Information on the comparison of City salaries against similar public and private sector wages within the Los Angeles Region would provide decision makers with additional insights during deliberations.

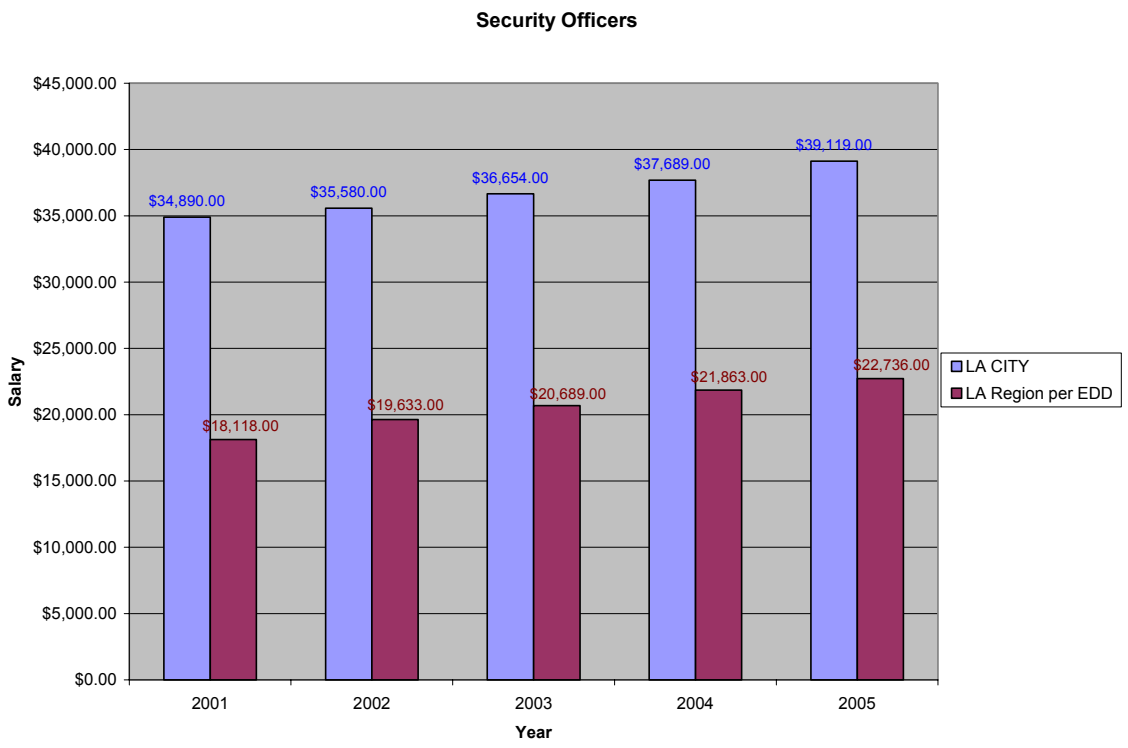
For illustrative purposes only, we have identified the salaries (excluding retirement and health benefits) for a small sample of six common City positions from 2001 through 2005 and compared them with salaries for similar positions gathered for the Los Angeles Region by the California Employment Development Department (EDD). The six positions are:

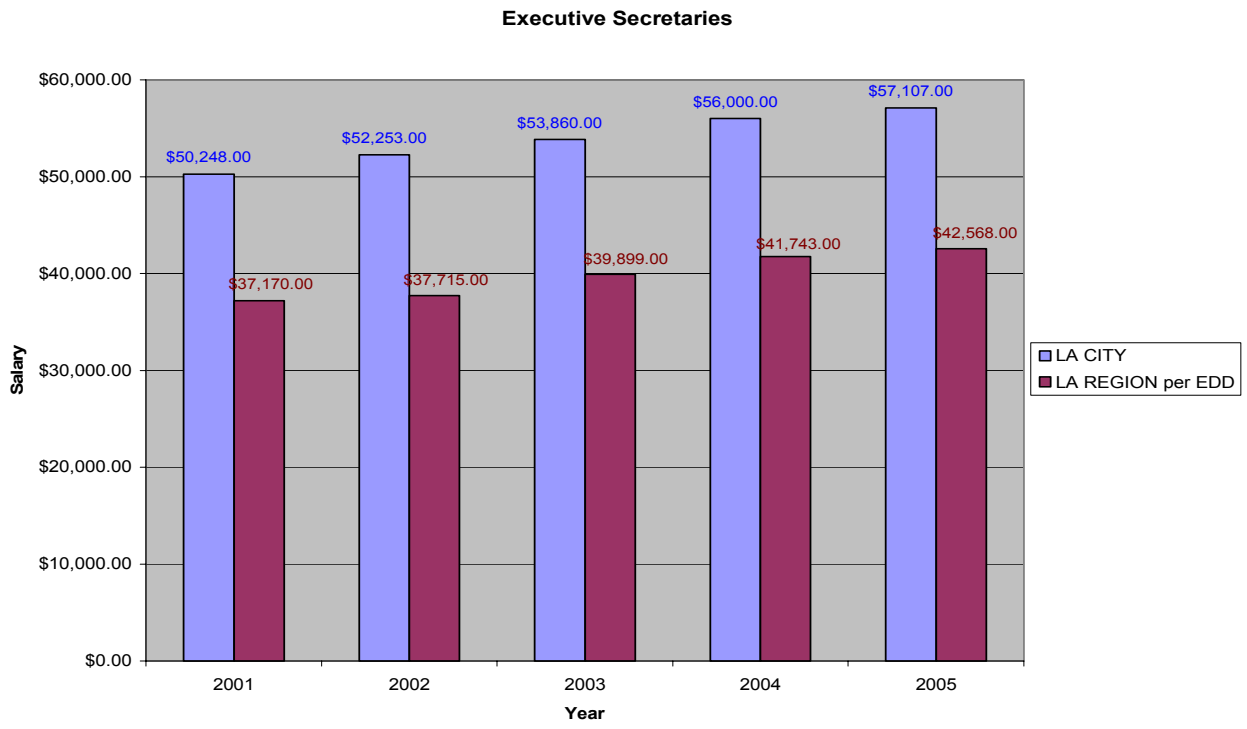
1. Accounting Clerk/Bookkeeper
2. Heating, Ventilation, Air Conditioning Mechanic
3. Security Officer
4. Executive Secretary
5. Clerk
6. Construction and Maintenance Laborer

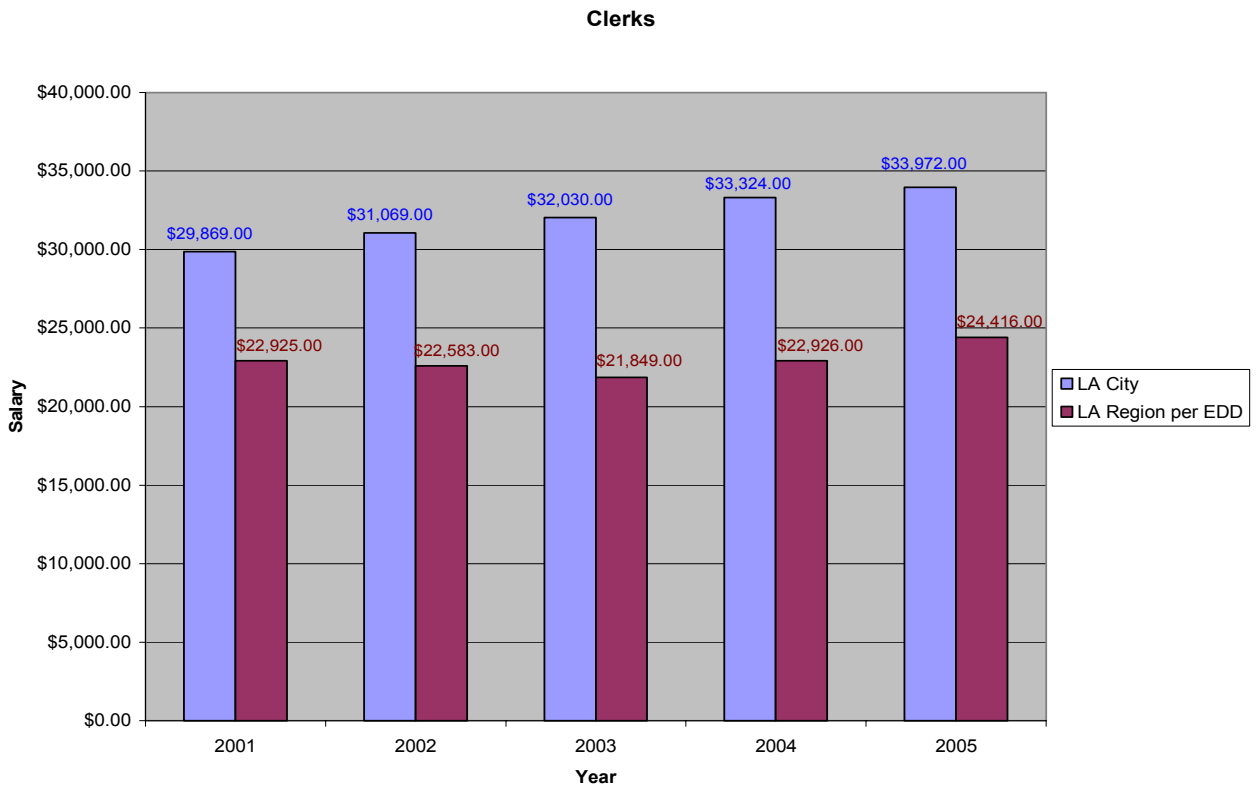
The selected City salaries have maintained a favorable advantage over comparable private sector salaries during the entire five-year period reviewed. The range between salaries is most pronounced in the Security Guard classification where in 2005 it was 72.1 percent higher than comparable EDD salary data, and is closest in the Construction and Maintenance Laborer classification with a 25.7 percent advantage in 2005. Graphs for each position salary comparison are presented in the following pages.

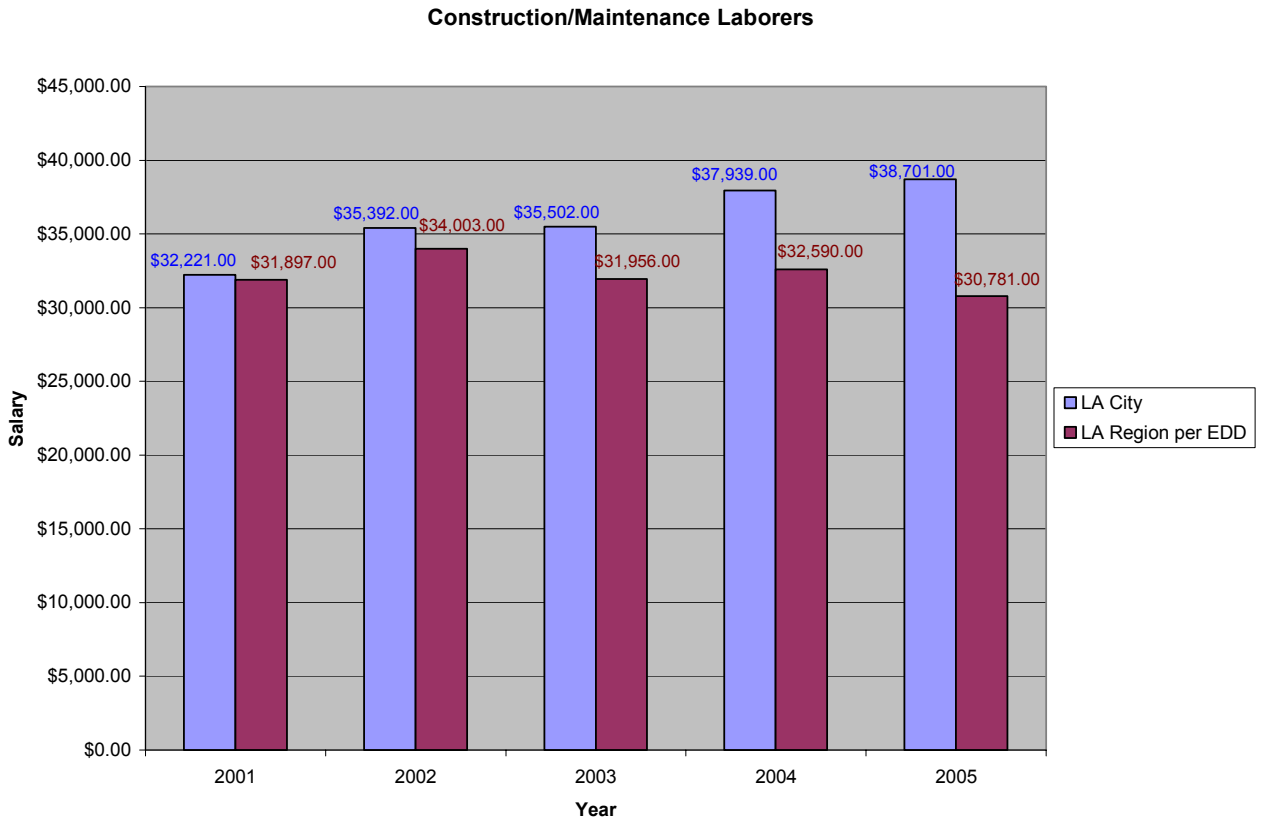

Bookeepers/Accounting Clerks
$50,000.00
$45,000.00
$40,000.00
$35,000.00
$30,000.00
$25,000.00
$20,000.00
$15,000.00
$10,000.00
$5,000.00
$0.00
Salary
$39,495.00
$32,303.00
$41,071.00
$32,251.00
$42,329.00
$32,491.00
$44,026.00
$33,153.00
$44,882.00
$33,740.00
2001
2002
2003
2004
2005
Year
LA City
LA Region per EDD


HVAC Mechanic
$70,000.00
$60,000.00
$50,000.00
$40,000.00
$30,000.00
$20,000.00
$10,000.00
$0.00
Salary
$54,336.00
$40,136.00
$56,524.00
$42,817.00
$58,800.00
$43,797.00
$61,171.00
$45,469.00
$61,171.00
$42,896.00
2001
2002
2003
2004
2005
Year
LA City
LA Region per EDD


Security Officers
$45,000.00
$40,000.00
$35,000.00
$30,000.00
$25,000.00
$20,000.00
$15,000.00
$10,000.00
$5,000.00
$0.00
Salary
$34,890.00
$35,580.00
$36,654.00
$37,689.00
$39,119.00
$18,118.00
$19,633.00
$20,689.00
$21,863.00
$22,736.00
2001
2002
2003
2004
2005
Year
LA CITY
LA Region per EDD


Executive Secretaries
$60,000.00
$50,000.00
$40,000.00
$30,000.00
$20,000.00
$10,000.00
$0.00
Salary
$50,248.00
$52,253.00
$53,860.00
$56,000.00
$57,107.00
$37,170.00
$37,715.00
$39,899.00
$41,743.00
$42,568.00
2001
2002
2003
2004
2005
Year
LA CITY
LA REGION per EDD


Clerks
$40,000.00
$35,000.00
$30,000.00
$25,000.00
$20,000.00
$15,000.00
$10,000.00
$5,000.00
$0.00
Salary
$29,869.00
$22,925.00
$31,069.00
$22,583.00
$32,030.00
$21,849.00
$33,324.00
$22,926.00
$33,972.00
$24,416.00
2001
2002
2003
2004
2005
Year
LA City
LA Region per EDD


Construction/Maintenance Laborers
$45,000.00
$40,000.00
$35,000.00
$30,000.00
$25,000.00
$20,000.00
$15,000.00
$10,000.00
$5,000.00
$0.00
Salary
$32,221.00
$31,897.00
$35,392.00
$34,003.00
$35,502.00
$31,956.00
$37,939.00
$32,590.00
$38,701.00
$30,781.00
2001
2002
2003
2004
2005
Year
LA City
LA Region per EDD

Conclusion and Recommendations

We believe that City decision makers negotiating multi-million dollar collective bargaining agreements should have as much information as possible to assist them during deliberations. The CAO currently provides a great deal of this critical fiscal impact information and with the evolution of the Controller's PaySR system, more detail and specificity is now available to expand this data. This should also allow more comparisons of benefits offered in past MOUs to those currently being negotiated, distinguishing the types of bonuses being offered and their impacts, and identifying the fiscal implications of overtime rates. Furthermore, by crafting the MOU language more precisely and consistently, and obtaining input from the Controller's Office, the City can benefit from lowering the administrative costs inherent to managing the MOUs once they are ratified. Finally, providing the overall perspective of comparing City salaries to similar positions in the public and private sector for the Los Angeles Region should assist City decision makers by affording them comparative salary data to consider during negotiations.

Recommendations

The Mayor and City Council should consider the following actions during their labor negotiations:

- Utilize the functionality of PaySR to identify and unbundle permanent and temporary bonuses to create analyses to build full compensation models for job classifications and compare them to prior MOU agreements, and determine their fiscal impact including retirement and other benefits they may generate.
- Clarify which bonuses should be added to base pay and be subject to pension benefits and future COLAs and which should not.
- Analyze compensation provisions from a broader, multi-year basis rather than on an incremental, add-on to existing MOU terms.
- Determine the accuracy of MOU fiscal projections and estimates by conducting periodic "budget to actual" comparisons during the term of the contracts.
- Assess the impact of departmental overtime charges under typical MOU salary and bonus terms and conditions using historic data during negotiations.
- Obtain benchmark private and public sector comparative salary data for the Los Angeles Region for the positions covered by the MOU during negotiations.
- Establish common MOU language for similar bonus and premium pay categories with input from the Controller's Office to ease in the interpretation and implementation of agreed upon terms. Ensure MOU provisions include a clear description of the unit of measure (e.g. specific pay period or hours) used.
- Assure that MOUs contain a clear outline of qualifying conditions for bonuses, allowances and other pay premiums that specify the job classification and criteria needed to receive the benefit, and a specific date when the payment should be received.
- Clarify which bonuses or pay premiums are subject to tax withholding and inclusion on the employee's W-2.

Section III: Additional Ideas for Consideration

It is a challenging time for those engaged in the labor negotiations process in the City of Los Angeles. The fiscal concerns expressed by many city officials, the pressure exerted on union leadership from rank and file members to replicate the contract negotiated by the Department of Water and Power with the IBEW in 2005, and extensive and impassioned press coverage are contributing factors. In addition, there is not a great deal of flexibility, as salaries and benefits make up nearly 70 percent of the city's annual $4 billion general fund budget.[20]

This is occurring while Los Angeles is also working at reducing crime and addressing such significant issues as education, transportation, affordable housing, gangs, poverty, pollution, an aging infrastructure, and the worst homeless problem in the nation. According to a recent study by the city-commissioned Los Angeles Economy Project, there is also a widening gap between high-wage and low-wage jobs. Job growth in Los Angeles has been weak compared with the state and the rest of the country, and has been concentrated in the western and northern parts of the city.[21]

A city and its unions have a symbiotic relationship. The people who work for the city create a tableau on which the rest of the city's political, social and economic activity takes place. How effectively and efficiently city services are performed greatly influences the amount businesses are willing to invest in the city, as well as the ability of the city to attract residents and tourists. When city services are poor, or so expensively delivered that the economic health of the city is endangered, an escalation of loss and negative, reinforcing consequences often occurs.[22] Most of us have visited or lived in cities where this has happened.

This Section outlines a variety of strategies, including promising practices from other parts of the country, that should be considered to improve the likelihood that labor and management can move forward together to build a better future for the City of Los Angeles.

It is a positive sign and important to note that in our discussions with both city and union leaders, there were very few individuals who disagreed with the ideas presented here. Some expressed understandable skepticism that all of those involved would be willing or able to put aside history, be able to follow through given all of the competing demands for their time and attention, and/or risk alienating key constituents by doing what is right for the city (and, ultimately, for their constituents). We understand these obstacles, and others, very well. Over the last three decades we have worked with hundreds of organizations and have repeatedly witnessed how labor and management have either been able to work together to overcome serious challenges and achieve significant results, or failed to work together and hurt themselves and those they represent. In Los Angeles in

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[20] Barrett, Beth. "L.A. Must Get Lean. Mayor Vows to Cut City Budget Deficit." Daily News (Los Angeles). March 6, 2006.

[21] Cleeland, Nancy. "L.A. Group Strives to Build a Better Workforce." Los Angeles Times. February 26, 2006.

[22] Senge, Peter. The Fifth Discipline. (revised ed.) New York: Doubleday, 2006. *This is a clear exposition of systems thinking, where these types of dynamics are described in detail.*

2006, an historic opportunity is available if the parties involved are willing to work together.

Key Factors Impacting Labor Relations and Negotiations in Los Angeles

It became clear as we were conducting this study that, in addition to examining the labor negotiations process itself (discussed in Section I), seven underlying issues that impact labor relations and negotiations in Los Angeles also needed to be addressed. These issues are:

1. The Efficiency and Effectiveness of L.A. City Government Services and Operations

2. Skepticism among Many City Union Leaders About the City's Assertion that there is a Serious Fiscal Crisis Looming

3. The Impact of the 2005 Department of Water and Power/IBEW Contract on the Expectations of Many of the Other Unions' Rank and File Members

4. A Looming Succession Planning Crisis

5. The Absence of a City-Wide Strategic Plan for Los Angeles Reflecting the Involvement of all City Stakeholders, Including the Unions

6. The Lack of a Coordinated Economic Development Effort

7. An Under-utilization of the Potential Demonstrated by Previous Efforts of Labor-Management Committees in the City

In this Section, we discuss each of the factors and then provide recommendations to address the challenges they pose.

1. Los Angeles city government could deliver services more efficiently and effectively.

While most organizations could benefit from an analysis of what could be done more efficiently and effectively, it is evident that the City of Los Angeles has many areas that could benefit from this type of activity. Most of the managers we interviewed readily admitted they would welcome help in this area, and the labor leaders agreed there were many opportunities to achieve efficiencies. For example, SEIU Local 347 has developed several documents outlining their ideas as well as summaries that are available on their website, www.seiu347.org.[23]

[23] SEIU Local 347 Press Release. "LA City Workers Submit Recommendations Worth $58.31 Million in Savings, $38.3 Million in Additional Revenue, and Enhancements and Improvements in Municipal Services for the City's 2005-06 Fiscal Year Budget." April 15, 2005.

In addition, the mayor has called for a rigorous examination of how revenues can be enhanced and efficiencies achieved. He recently announced the establishment of a Mayor's Performance Unit, modeled after a program developed in Britain.[24]

While performance issues do exist and should be addressed, it is important to point out that we repeatedly heard from both labor and management that the hiring freezes that have been implemented in the past have also significantly affected the ability of managers to operate departments effectively. (These hiring freezes have come about partly as a result of the "boom or bust" style of previous negotiations. This has involved awarding larger wage settlements when fiscal conditions appear to be good, and then resorting to layoffs, hiring freezes and smaller or no raises when economic conditions are more difficult.) It is important to break this cycle, and to link more effective work operations with more consistent negotiations and hiring plans. The effect of the hiring freezes on succession planning has also been significant, and will be discussed below.

2. Many city union leaders are skeptical about the city's assertion that there is a serious fiscal crisis looming.

The Mayor and CAO have stated that there is an ongoing structural budget deficit that is being exacerbated by expanded hiring, expensive health care and pension costs, and compliance with the $110 million LAPD/Ramparts Consent Decree. Budget deficit projections, currently estimated at $287 million, could rise to $450 million by 2010, assuming there is no catastrophic event or recession. The continued use of "one shot gimmicks" is being discouraged, and fiscal restraint is being urged.[25] Most of the city union leaders we spoke with, however, do not believe this crisis is real. They point to the city's history of surpluses, even in years when they bargained in good faith and their members took little or no raises because of a previously predicted fiscal crisis that they felt often failed to materialize.

3. The impact of the 2005 Department of Water and Power/IBEW MOU on the expectations of many of the other unions' rank and file members has been substantial.

Pressure to strike or conduct other job actions will likely increase as MOUs expire or near expiration. The discontent of many of the non-IBEW union members is exacerbated by the knowledge that, in addition to smaller pay increases, their salaries are often lower than DWP salaries for the same work. In addition, for many years the IBEW contracts have generally provided even better retirement and health benefits than those received by other city unions. That the DWP, the nation's largest public utility, is an authority with revenues generated from ratepayers and not a city agency has not made much of an impact on most workers' feelings towards the contractual differences. The last set of negotiations yielded these results:[26]

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[24] "Accelerating our Ambitions," an address by Mayor Antonio Villaraigosa on the State of the City of Los Angeles. April 18, 2006.

[25] "Remarks as Prepared for Delivery by Mayor Villaraigosa Regarding City of Los Angeles' $295 Million 'Inherited' Deficit." March 1, 2006.

[26] City of Los Angeles, CAO's Office. March 2006.

Terms of Latest Police and Fire Contracts 7/1/03 - 6/30/06	
Contract Term	**Salary Increase**
7/1/03—6/30/04	2.00%
7/1/04—06/30/05	3.00%
7/1/05—06/30/06	4.00%

Terms of Latest Contracts for All AFSCME and SEIU Bargaining Units 7/1/04 - 6/30/07	
Contract Term	**Salary Increase**
7/1/04—6/30/05	0%
7/1/05—6/30/06	2.00%
7/1/06—12/31/06	2.00%
1/1/07 to 6/30/07	2.25%

Terms of Latest IBEW Contract 10/1/05—9/30/10	
Contract Term	**Salary Increase**
10/1/05—9/30/06	IBEW salaries will increase by the same percentage as the CPI for Urban Wage Earners and Clerical Workers for U.S. city average. (If the CPI increase is 3.25 percent or less, salaries for IBEW workers will increase by 3.25 percent. If the CPI increase is 6 percent or more, the salary ranges will increase by 6 percent.)[27]
10/1/06—9/30/07	
10/1/07—9/30/08	
10/1/08—9/30/09	
10/1/09—9/30/10	

An analysis of two previous IBEW contracts shows that the 2005 contract was simply a continuation of the types of terms negotiated with the IBEW in previous MOUs. For example, in the 2002-2005 MOU, the cost of living was also pegged to the Consumer Price Index; only the minimum was set at 5 percent with a cap of 6 percent, depending on that year's CPI.[28] (This meant even if the CPI was down in the 2 percent range, the IBEW would get 5 percent. However, if the CPI grew to 9 percent, the IBEW would receive 6 percent). There was an extension in place from 2000 to 2002, as a result of the 1998 Staff Reduction Program. In the 1996-99 IBEW MOU, the cost of living increase was pegged to the CPI, with a minimum of 2½ percent and a cap of 5 percent, depending on the year's CPI. From the perspective of the IBEW in 2005, they did not believe following the pattern of bargaining they had established with the city in recent years was

[27] This language was somewhat ambiguous, and has subsequently been interpreted to mean, for example, that if the CPI is 4 percent, the IBEW members will receive raises of 4 percent.

[28] In 1996, the DWP negotiated the use of the national CPI-U figures for their MOUs with the IBEW. When the CAO reports numbers to the EERC and for budget purposes, the CAO uses the Southern California CPI-U.

unreasonable. (In fact, they felt that they were showing restraint, especially because they believed management had no plan in event of a strike. They were subsequently surprised by the deep, negative reaction to the results of the 2005 negotiations.)

The tension is also fueled by the very common differences in salaries. While there are positions in the DWP that require higher levels of skill and are in greater demand in the marketplace (there are 118 classifications unique to the DWP[29]), there are also many positions that have substantial inequities in pay for those doing similar or identical/equivalent work in other agencies. In some instances, DWP workers receive up to 40 percent more money for performing the same tasks. Position announcements for vacancies call attention to these discrepancies on a regular basis. For example, the salary for a Workers' Compensation Analyst is posted at $49,151 to $61,053 for the position in all city agencies. The salary for the position at DWP, listed on the same announcement, is $61,324 to $76,212. The salary for an Operations and Statistical Research Analyst for city agencies is $60,364 to $75,000 and $72,098 to $89,596. The salary in the DWP is $81,077 to $118,535. Of the 130 common classifications provided by the Personnel Department, DWP had higher salaries for all but two of the positions. Clerks at the top salary steps receive 14.51 percent more at DWP, Custodial Services Attendants receive 26.25 percent more, and Automotive Dispatchers receive 40.70 percent more. SEIU Local 347 analyzed budget data and found that 99 percent of the DWP salaries for shared job classifications are more than the same job class for other City of Los Angeles Departments. The average difference was 18.56 percent, with a range of less than 1 percent to 40.79 percent.[30] This discrepancy has not only led to a great deal of resentment, but also to at least 615 employees receiving transfers or promotions since 2001. It was not possible to obtain reliable information on how many city employees resigned to take positions at DWP, as the city's and DWP's payroll systems are not currently linked and cannot produce a clean data set, but estimates are that there are also a substantial number of these.[31]

Almost all of the managers we have interviewed have said that, at times, transfers and resignations in order to take jobs at DWP have had a significantly disruptive influence on managing the workforce. In many cases, they have lost some of their very best employees. One City Councilmember likened this "two tiered workforce" to a system that "gives one child a Cadillac and the other an Edsel." In addition, the City Civil Service Commission, in a letter last year to the City Council, requested that "the City Council take steps to reduce or eliminate the disparities that exist," and that "most city classes that are used in both the DWP and other departments are paid considerably more in the DWP."[32]

The feelings of injustice have also been heightened by the many high-visibility press reports over the years of waste and poor decision making at the highest levels of the Department of Water and Power, totaling many millions of dollars. New managers and

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[29] City of Los Angeles, Personnel Department. March 2006.

[30] SEIU, Local 347. "Salary Differences Per Class Code Between DWP and other City of Los Angeles Departments." November 21, 2005.

[31] City of Los Angeles, Personnel Department. March 2006. The Personnel Department was able to obtain an approximate number of transfers and promotions by running an Extractor Report from PaySR, although they acknowledge the 615 figure is likely to be underreported for a variety of reasons.

[32] Civil Service Commission correspondence to the Los Angeles City Council. February 18, 2005.

board members have recently been appointed, and efforts are being made to correct matters. This has done little to reduce the resentment over the discrepancies in salaries and wages. Nor does the knowledge that city workers are among the highest paid public sector workers in the county (and the country) seem to matter. Those occupying many of the lower paying positions face their own economic challenges, including the high cost of living in the Los Angeles area. And asking those employees in the higher paying positions to take a broader perspective and compare their economic situation to those in the private sector struggling with lower pay and few, if any, health and retirement benefits is not likely to prove effective, judging from our previous observations of similar situations in other parts of the country. (See Section II of this report for a comparison of a sample of private sector to city salaries.)

It appears, from conversations with union leaders (and from the results of member surveys), that members of many of the other unions want parity with the IBEW and are placing a great deal of pressure on their leadership to deliver contracts with comparable raises. (A recent exception to this was the ratification of the contract with the Police Protective League, which provides raises totaling 10.25% over the next three years.) Given the expectations these union members have, there is a danger that the tensions resulting from future negotiations will result in the loss of some very effective, intelligent, and creative union leaders (who have demonstrated in the recent past that they care about the city as well as their members) as the rank and file select more confrontational and narrowly-focused leadership. This has occurred in many other jurisdictions, often with negative results. A continually dissatisfied workforce, spurred on by angry union leadership, is not likely to be as productive, creative or focused on providing quality service or helping to solve the city's problems. In addition, an escalation of tensions and resulting job actions over even minor events become more possible. A dramatic and well-documented example of this occurred in the private sector at the United Airlines maintenance center near Indianapolis. Long celebrated as an excellent example of labor and management working together to achieve outstanding results, the militant factions of the union led a work slowdown, triggered by management's abrupt cancellation of an inordinate amount of leave on a 4th of July weekend, which resulted in the consequent closing of the center in 2003.[33]

4. As in all levels of government, a succession planning crisis is looming and needs to be addressed.

The aging out of "baby boomers" from the workforce will soon be creating a serious problem at every level of government. (While the problem also exists in the private sector, it is more acute in the public sector because tight budgets, beginning in the 1980's, restricted new hiring. In addition, many public sector workers are staying in their jobs longer.) Forty-two percent of those working in state and local government in the United States in 1999 were between the ages of 45 and 64.[34] Los Angeles will also be feeling the effects. For example, more than 1,600 police officers and firefighters will be required to retire over the next five years, including 264 of the most seasoned detectives, as a

[33] Uchitelle, Louis. The Disposable American: Layoffs and Their Consequences. New York: Knopf, 2006.

[34] Pynes, Joan E. "The Implications of Workforce and Succession Planning in the Public Sector." Public Personnel Management. January 2004.

result of a deferred retirement program. (The program was designed to give the LAPD time to fill veteran's slots but budget constraints and difficulties in recruiting prevented the expansion of staff.)[35]

The problem in Los Angeles is widespread. According to the Valuation Results of the Los Angeles City Employees' Retirement System, the average age of the members enrolled in the system is 45.6. Over 5,000 of those employees are currently over 55.[36] Recently, concerned DWP Commissioners asked the agency's managers to address succession planning, training and recruitment issues, as roughly 40 percent of the agency's employees will be eligible to retire in five years.[37] In addition, many of the most experienced city negotiators have either retired or will be retiring soon.

We have observed that the general public, appointed and elected officials often underestimate the complexity of government work, and that many of those positions with upcoming vacancies will need to be filled by a "bench" of workers with experience and very specific knowledge that is currently non-existent. The two-tiered wage and benefits system also encourages workers to transfer to DWP in their last years in order to take advantage of the better pay and benefits. In addition, this crisis in succession planning will mean that, more than ever, Los Angeles will need the very best efforts from those employees who will be left behind.

Term limits have led to some of the same problems for elected officials. The complexity of the issues and the work has often meant that just as elected officials are beginning to become comfortable with the very steep learning curve, they are required to move on. Former Maine Governor Angus King, who supported term limits and now wants them repealed, recently stated: "A lot of these issues have to be dealt with in consecutive legislatures. They're very complex and if you always have to go back to square one, you never get anywhere."[38]

Almost everyone we interviewed acknowledged that term limits have contributed to problems with the labor relations process, as well as to more short-term thinking towards public policy in general. Thad Kousser, a political scientist at the University of California at San Diego, summarizes the situation: "Term limited legislatures are like airports. Someone is always coming, someone is always going, and then there are the people who can't seem to find their way to the ticket counter."[39]

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[35] McGreevy, Patrick. "Retirement Exodus Looming for LAPD." Los Angeles Times. March 24, 2006.
[36] "LACERS Annual Report." Los Angeles City Employees Retirement System.
[37] Barrett, Beth. "L.A.'s City Workers Graying but Staying." Daily News (Los Angeles). April 11, 2006.
[38] Greenblatt, Alan. "The Truth About Term Limits." Governing Magazine January 2006.
[39] Kousser, Thad. Term Limits and the Dismantling of State Legislatures. Cambridge, MA: Cambridge University Press, 2005.

5. There has not been a substantial, coordinated, city-wide Strategic Plan for Los Angeles involving major stakeholders, including the unions.

Los Angeles faces some of the most challenging problems of any city in the nation. It was widely acknowledged in the interviews we conducted that, despite many wonderful initiatives, the city's historically piecemeal approach to strategic planning has resulted in fragmented development and the lack of a citywide vision and goals. Almost everyone we spoke with expressed the need for citywide planning, and agreed that it would be valuable to include the unions in that process.

This lack of planning and vision has also been reflected in the negotiating process itself, and was discussed in Section I of this study.

6. If no way is found to produce substantial economic development, and "expand the pie" through economic development for all of the workforce, private and public, tensions will likely increase.

The wage gap between the highest income earners and the lowest is growing in Los Angeles, and the city is also lagging behind the rest of the country in job growth. Much has been written in recent years of the loss from Los Angeles of many jobs in aerospace and other manufacturing industries that provided benefits and high wages. It has been estimated by Dan Flaming of the Economic Roundtable that more than one million skilled workers left Los Angeles County in the 1990's.

According to the Los Angeles Times, 1.4 million of Los Angeles' 3.8 million residents are "working poor," a category that would include a family of two adults and two children earning $38,000 a year or less. "Los Angeles epitomizes a kind of urban poverty in which the poor-day laborers, hotel workers, taxi drivers and convenience store clerks, among others, work two or three jobs and still confront agonizing daily choices about whether to put food on the table, have warm clothing or get decent medical care."[40]

It is likely Los Angeles will face additional fiscal challenges in the future, as the rise in the low wage population, due in part to immigration, will contribute to the need for increased government service delivery. Proposition 13 and the limits on the raising of local revenue have resulted in an increasing reliance on bonds to finance new initiatives. This has often meant higher debt burdens for those who are able to own their own homes. City and county bonds have raised the average city property-tax bill to $1,155 per $100,000.[41]

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[40] Helfand, Duke and Nancy Cleeland. "Nation's Mayors Put Spotlight on Poverty." Los Angeles Times. March 30, 2006.

[41] "Bonds Bonanza. L.A.'s Mortgaged Future Comes at a Steep Price." (Editorial) Daily News (Los Angeles). April 18, 2006.

All of these factors may contribute to more contentious labor relations in the future if the economy does not grow in a way that can support the needs of the workforce in the region, in both the public and private sectors.

7. While there have been some notable joint labor-management efforts, labor-management committees in the city have not achieved their full potential for a variety of reasons.

There have been some very significant accomplishments by labor-management committees in the City. Joint Labor Management Committees (JLMCs) were officially established in 1989. *Citywide JLMCs* usually have coalition bargaining authority over issues that affect a wide variety of city employees. For example, a Citywide JLMC Benefits Committee that was charged with negotiating a benefit structure for all of the unions was widely considered a success. Other initiatives addressed parking and a comprehensive safety plan.

Departmental JLMCs address internal operational or efficiency issues. The LAPD and the Los Angeles Police Protective League have a strong commitment to attempting to solve problems together. SEIU and AFSCME have participated in some well-designed and highly successful initiatives with a variety of departments. Results have included: improving procurement processes, eliminating unnecessary laboratory tests, solving the problem of unanswered 911 calls due to a shortage of emergency dispatchers, reducing the fleet size of the trash collection vehicles, and increasing traffic sign painting, speed and productivity through equipment redesign.[42] (Citywide reports on the accomplishments of the JLMCs are available to September of 2003. Those compiling the reports at the Quality and Productivity Commission were transferred to other departments as a result of the 2004 budget.[43]) The IBEW has embraced the concept since 1996, and has worked closely with UCLA on a variety of initiatives. Their accomplishments in the area of health and safety training have been impressive. Before the adoption of their joint safety program, there were 15,283 lost days for injuries in 1999. By 2004, injuries had been reduced to 6,007 (and a projected 3,500 in 2005), with a decrease in the overall severity of the injuries. Associated labor costs went from $4.4 million in 1999 to $1.8 million in 2004. These gains occurred despite the major increase in overtime (a key factor in injuries) because there were 2,000 fewer employees in 1998 after the implementation of the Strategic Reduction Program.[44]

In our conversations with managers and union leaders, however, there appeared to be a general consensus that the JLMCs in Los Angeles are not currently reaching their full potential. Reasons cited for this include disinterest by one or both parties in some of the departments, poor morale, lack of trust, and/or the belief that working in this way is not a high priority for a significant number of those in positions of authority.

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[42] City of Los Angeles, Quality and Productivity Commission. Joint Labor Management Committees' Status Report. May 2002 and September 2003. *We were not able to find more quantifiable data indicating actual cost savings.*

[43] One staff member remains. Vacancies on the part-time Commission have recently been filled.

[44] "Improving Trends in Safety at DWP." IBEW Presentation to Trustees. 2005.

Areas for Consideration

The following are our suggestions related to these seven factors. We are sure there are many additional ways they can be effectively addressed, if the parties are willing. This list of recommendations may seem daunting, and we do not expect that most or all would all be implemented in the near future. These challenging situations have taken years to create, and it is likely they will take years to fully resolve. We do believe that significant progress can be made relatively quickly on some, however, and in the Conclusion to this section have suggested a few areas where we feel priority could be given.

From our interviews it is clear that many city leaders believe there is currently an historic opportunity to revitalize Los Angeles and that this view is shared by others in the university, business, arts, neighborhood, faith-based and philanthropic communities. We suggest that, wherever appropriate, the Mayor and City Council look to augment the coordination and implementation of volunteer services to assist with these and any other new initiatives that may be undertaken.

Suggestion #1:

"Open the City's Books" to all stakeholders to assure transparency.

Many city labor leaders, and their members, need to be convinced that there truly is a fiscal crisis. As long as mistrust persists, it will be difficult for labor and management to move forward and collaborate on issues of critical importance to both. Jurisdictions across the country have taken this step as a way to move forward with more constructive methods of bargaining, including interest based bargaining.[45] For example, in Phoenix the same budget/fiscal status report that is sent to the City Council is also sent to all of the unions by the City Manager.

In our discussions/interviews with Los Angeles leaders, we found a great deal of interest from both management and labor in pursuing a more transparent approach. ***We believe that representatives from the city and a group of expert analysts should meet with union representatives, including labor economists and/or union research staff, for a series of presentations by management and discussions on the budget that will allow for follow-up research and questions.*** The configuration of each group will likely vary according to the situation and circumstances, and the parties will need to determine how often they will occur. One possible design would be to include CAO/CLA top economic analysts, representatives from the City Council and the Mayor's office, staff from the Controller's Office, and a representative from the independent city auditors hired by the Controller. The auditors should prepare an analytical review of budget line items and discrete revenue sources for a five to ten year period. This review would provide an historic depiction of the patterns of budgetary, expenditure and revenue growth or stagnation over the selected time period. The implications of complying with the new GASB 43 and 45 pension regulations would be included. In addition, economists' projections for the state and the city, including demographic trends and real estate projections, would be a critical component. (The state's Legislative Analyst's Office

[45] Lavigne, Robert. "Best Practices in Public Sector Human Resources: Wisconsin State Government." Human Resource Management (Fall 2002).

could be invited to assist with this presentation.) It is important to look at projections, since even a one percent error in projections would result in a $40 million dollar difference in the city budget.

One possible positive result of these discussions would be to attempt to craft negotiated labor agreements that spend money based on data-driven trends, instead of on the economic peaks and valleys that have sometimes resulted in the "boom or bust" negotiations of the past. These have led to destructive hiring freezes and loss of staff. Looking at budget trends each year from the last five years and then projecting into the future five years, if current trends hold, may also be useful. (In essence, projecting a ten-year budget every year, as is currently done in Sunnyvale, California.) It would, of course, have to be made very clear from the beginning that these sessions are designed to share fiscal information, not to debate about how the city is choosing to set priorities and/or allocate resources.

Unions would be encouraged to share the results of these sessions with their members. Perhaps videotaping the sessions could be considered to allow large numbers of interested members to hear the same information and also allow for the "protection" of all involved. (In New York State, the Speaker of the Assembly and Senate Majority Leader have begun the practice of allowing some of their actual budget discussions to be broadcast on television, with some positive results.[46]) We realize these sessions may be very challenging at first and recommend the use of an experienced facilitator/mediator. Again, the purpose of the sessions would be to provide as much information as possible to union leaders and their membership about city finances, not to debate how items in the budget are allocated. In the end, differences of opinion may remain over issues such as how much of a fund balance is necessary to preserve the city's excellent bond rating and/or how much money should be transferred from DWP to the city's coffers annually. Although nothing would prevent someone from attempting to distort the proceedings after they occur, we believe the effort would provide management with the opportunity to demonstrate that it is acting in good faith and accepts and respects the role of the unions in the process.

Suggestion #2:

Incorporate a variety of strategies, including labor-management cooperation, to assist in identifying efficiencies, streamlining city operations, increasing productivity, improving customer service, and enhancing the quality of work life.

There is an old riddle that asks, "How do organizations make toast? You burn it, and I'll scrape it." Waste in government contributes to a loss of precious resources, reduced service delivery, low morale, cynicism, and often more waste or non-value added activity. The "broken windows" theory applied to crime (that the mere presence of a few broken windows can encourage and result in much more significant damage) is also relevant here. It is often easier to generate more waste or ignore inefficiencies and opportunities when staff feels that it makes little difference to point out what could be

[46] For an interesting and humorous account, see: Hakim, Danny. "Progress in Albany. Two Leaders Can Now Bicker in Public." New York Times. April 1, 2006.

made better, because no one will listen and/or take any action to fix the problems. In our discussions with elected officials, managers and union staff, we were impressed by the interest expressed in having a more professionally managed and well-run city. ***Two very effective ways to do this are through the use of management audits/reviews and improved managerial and supervisory practices.*** We suggest the expanded use of both, and recognize the city is already beginning to move rapidly in this direction, and is looking at a variety of areas, including a more effective use of overtime.

Los Angeles has neglected the training and mentoring functions for its managers for many years, in large part due to lack of funding. ***Blending mentoring with low-cost but effective, targeted training (technology can assist here) could pay dividends in cost savings and improved service delivery.*** It could also result in higher productivity, less conflict, improved morale, and fewer settlement costs as poor supervisory and managerial practices are addressed. We suggest the following training/mentoring initiatives be considered:

- Activity-Based Costing
- Competitive Benchmarking
- Customer Quality Assurance
- Generic managerial and supervisory skills
- Labor Relations
- Performance Management
- Performance Measurement
- Process Reviews and Work Redesign
- Strategic Planning

We would also suggest Los Angeles evaluate and consider adopting a "Mayor's Management Report" that would be similar to the report provided by the Mayor in New York City, and mandated by the New York City Charter.[47] This report provides a very useful snapshot of how well the City performs vital services. It includes everything from public safety to rodent control. The city also issues a "Preliminary Mayor's Management Report" that forecasts expected levels of service based on the preliminary budget.

A fourth method is to establish labor-management committees that include employee involvement and a focus on improving outcomes. The activities of the committees need to be strategically selected and driven by data that assists in identifying the most promising opportunities. In the short-term, a small number of potentially high-impact projects would need to be very carefully selected. In the long-term, the goal would be to establish a "critical mass" of such significant high-quality labor-management committee work that this activity would assist in "moving the metrics" of key performance indicators for city government in a very positive direction.

Labor-management committees have done a great deal of impressive work in the public sector in state and local government, and we believe this same level of achievement is

[47] See www.nyc.gov for the complete text of these documents.

possible in Los Angeles.[48] It is only possible, however, if the right mechanisms are in place and the best methods are used to help ensure avoidance of the same factors that derailed some of the previous efforts in Los Angeles (and in many other organizations). While it takes an unusual confluence of circumstances, including the right people, to obtain the maximum benefits, we believe that it is currently possible in Los Angeles.

…

The following are suggestions to support the work of the committees:

- It is critical that the work of the committees be overseen by a body that would be accountable to elected officials and also have close and good working relationships with the unions, including the County Federation of Labor. ***We are suggesting that the existing Labor-Management Workgroup oversee the efforts of the committees.*** The Labor-Management Workgroup would also assist in the coordination of any joint economic development and strategic planning initiatives, as well as provide a link to management efforts to enhance revenue, and plan and improve operations, including succession planning. Responsibilities would include coordination with the newly formed Mayor's Performance Unit and the Quality and Productivity Commission. The management and labor co-chairs of the committees would be accountable to the Labor-Management Workgroup, and the Workgroup would have the formal and informal power to keep them on track and focused on results. A part-time budget analyst could be assigned as staff to the Workgroup and assist in the assessment of actual cost savings, as well as assist with the documentation of enhancements in service delivery. Immediate, continuous feedback and publicizing of accomplishments would also help to establish credibility and build momentum. Over time, a summary of the results of these efforts, described in specific, observable and measurable terms, could also be generated by the Workgroup, posted on the city's web site, and linked when appropriate to the Mayor's Performance Indicators we are recommending be established.

- ***Much thought would need to be given to the type of city-wide and departmental initiatives that would be established before work began. Effective scanning of issues and opportunities is essential.*** Again, we believe "less is more" and that any initiatives undertaken initially be few in number and very carefully selected. Criteria that would need to be considered and weighed for each initiative may include:
    - the projected cost savings from eliminating wasteful practices and procedures and/or adopting new ones
    - enhanced service delivery
    - the time and effort required
    - the value that would be added by employee and union participation
    - and the overall impact on the city and/or the workforce.

[48] U.S. Department of Labor. "Working Better Together for Public Service. Report of the Task Force on Excellence in State and Local Government Through Labor-Management Cooperation." 1996. Many examples of public sector labor-management cooperation have also been provided in the reference material cited in the Appendix.

- ***Workers' Compensation and pension costs are possible areas for citywide JLMC's that several city and union leaders have suggested. Departmental initiatives could occur in a few departments where there is interest, and also significant opportunities for improvement.*** Possibilities might include an analysis of the purchasing and use of expensive equipment, and/or more effective deployment of staff. (In addition, at some point we recommend that the new labor-management health benefit plan recently begun in King County, Washington State be studied and considered for possible adoption. It is designed to contain health costs by providing incentives for participants. Employees and family members who participate in a program to optimize their health pay less for deductibles, co-payments and out of pocket maximum payments than those who do not.)

- ***The committees would need to use "cut to the chase" organizational development methods specifically designed for the public sector, with a track record of success, in areas including process analysis, conflict resolution, problem solving and work redesign.*** It is important not to become inappropriately consumed by too much of a focus on "team building" and on how people are feeling, a common pitfall in labor-management work. The city needs excellent results, and quickly. A very powerful way to build a team is to have people working together to make things better. Local universities and consultants have very helpful methods that can be used. We have also developed a great deal of relevant material, and would be happy to provide it to the city at no cost.[49] If desired, we would also be willing to work with local organizations in the sharing of promising practices and the creation of "centers of excellence," to assist in the actual implementation of these practices.

- ***There are already many city workers and managers with much experience and excellent skills in facilitation and organizational development, and we recommend they participate in the work of the committees as facilitators and analysts. Building internal capability is extremely important***. Short-term external assistance to organize and mobilize these internal resources would help to get an aggressive effort in place as quickly as possible. A number of local, very qualified individuals from universities and consulting firms with relevant experience might be willing to participate, and perhaps also donate time. (We have also donated a great deal of faculty time to this study and would be willing to volunteer to help with this initiative, if desired.) In many instances, grant money, including funds from the Federal Mediation and Conciliation Service, have been available to jurisdictions for this purpose.

The following is an examination of the roles and incentives involved:

The satisfaction of enhancing services, improving management practices and morale, saving taxpayers' money, and receiving recognition would be reward enough under normal circumstances for many workers who might participate. In our observations of

[49] Calicchia, Marcia. Strategies and Methods for Public Sector Labor-Management Committees. Cornell School of Industrial and Labor Relations and the Kennedy School of Government, Harvard University/PSLMC. 1999 and 2005. *Other material is referenced in the Appendix.*

previous similar situations, however, when negotiations are particularly contentious, and/or participants feel there is an unjust situation, we have found that interest in participating, or the actual quality of the involvement, is negatively and often dramatically affected. (These feelings are exacerbated if there have been previous attempts at labor-management cooperation that have failed.) This is a particularly vexing "chicken and egg" problem. It would be reasonable to wonder if there realistically is a way out of this potential problem, where uncooperative behavior leads to waste and less available resources, which then result in additional bad feelings and poorer results.

The Controller's Task Order Solicitation for this study asked us to "evaluate the roles and incentives of each party" in the process, including those of "the union leadership and members, managers, elected officials and the general public." At this point, we would like to examine these in more detail because we believe this analysis will identify areas for consideration.

After reading the information in this Section, it is not difficult to understand why much of the general public, many elected officials and most of the press would have difficulty empathizing with the concerns of the city workers and their unions over pay increases. In a city where approximately 37 percent of the residents are "working poor," many city jobs pay very well and include the type of health care and retirement benefits that are becoming increasingly rare in the private sector. While it is important to pay salaries that will help attract and retain top talent in city jobs, the city has many serious challenges that much needed revenue could help to address (almost seventy percent of the current general fund budget is allocated to salaries and benefits.) This percent is common in many municipalities, yet it still places significant limits on what issues the city can address.

From the perspective of the city workers and their unions, however, there are many city workers who also struggle economically, and do an excellent job of providing important and often critical services. Vocational Workers I earn between $22,697 and $23,970, per year. Vocational Worker II positions have salaries between $21,381 and $26, 559. Recreation Assistants (who often are employed part-time with no benefits, and do valuable child care and gang prevention community work) earn between $9.79 and $12.79 an hour.[50] A number of union leaders have pointed out that city jobs offer hope for others of a better life, and pitting groups of workers against each other in a "race to the bottom" is counter-productive in the long run.

Even members of the general public who agree with the arguments in favor of supporting the lower paid members of the workforce may still understandably struggle with the idea that the higher paying positions in city government deserve substantial pay increases, especially in light of the many financial challenges currently facing the city. And, of course, for the higher paying city jobs the question arises of "how much is ever enough" for any (or most) of us? In our work, we have rarely heard a worker or manager say, "You know, I really didn't deserve or need that raise." An added dynamic here is the issue of perceived inequity, which can fuel very powerful resentments and lead to

[50] City of Los Angeles, Personnel Department. "City of Los Angeles Class Title/Salary Table." November 17, 2005.

decreased job satisfaction. Motivation theorists have pondered these and related question for years.[51]

We believe the changes in the negotiation process itself that we recommend in Section I can be helpful and lead to better relationships and a more professional approach to negotiating. We are also realists, and see the difficulties inherent in the current situation. Most, if not all, of the city unions and their members (almost all of the city managers are also union members) are not likely to be satisfied with only these enhancements to the negotiating process. They want equity with the IBEW contract and an end to differences in salaries for the same or very similar work. We are not advocating for or against comparable raises in this report, as we feel the improved negotiations process should take its course. We do believe, however, that the city faces serious challenges, and that new, creative ways of negotiating and managing are required. (Each 1 percent increase in salaries costs taxpayers $13 million dollars, according to city officials.[52])

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There are four actions that should be considered to help address the issue of equity, reduce potential conflict, result in additional savings, and place no additional burden on taxpayers.

1) ***The first would be a continued but more vocal, strong commitment by elected officials and management to fix the problems plaguing the Department of Water and Power.*** We understand the Board has been reconstituted, independent audits are forthcoming, and an analysis of large potential revenue sources, such as how land is currently leased, is also planned. We have the sense that these actions and concerns about DWP may not be communicated well enough to the general public and to the city unions. This concern has been fueled recently by the possibility of rate increases and additional reports of questionable spending activity. We suggest a review to see what else can be done to save money and better manage the DWP, and that reform efforts be communicated more effectively to the general public, the press and the city workforce. In addition, work on a contingency strike plan is also an area to address.

2) ***Our second suggestion is to build creative discussions of how to eliminate disparities with the IBEW over time (it will be a long term process) into each set of negotiations. This movement would also reflect reasonable compensation for the positions, as determined by objective standards. This would include salaries that were too high, as well as salaries that were too low.*** For example, perhaps raises for these lower paid members could be negotiated at a certain level, and if the city were to do much better economically, those workers would share in the rewards, using a predetermined formula. (This would be similar to the "crawling peg" concept used by economists. A mechanism would allow increased rates to float in response to changes in the economy, but only by a defined incremental amount per unit of time, such as one-tenth of a point per month.) The solutions would need to be tailored to each specific situation, of course, and would be

[51] For two excellent resources on motivation, see Wilson, Timothy. Strangers to Ourselves. Cambridge, MA: Harvard University Press, 2002. Also Frank, Robert. Passions Within Reason. New York: Norton, 1988.

[52] Orlov, Rick. "Villaraigosa Offers $6.7 Billion Budget." Daily News (Los Angeles). April 21, 2006.

unique to each union and to the needs of the city. Some of the methods used in interest-based bargaining (described in more detail in Section I) could be very helpful in doing this. Creative solutions will need to be generated, and focusing on the underlying interests of all of the parties, instead of on tightly held positions, could assist in developing these.

3) ***The third suggestion, if all parties are willing, is to establish a facilitated, citywide Joint Labor Management Committee (JLMC) on eliminating disparities over time. The proprietary agencies would be included.*** This citywide committee could address the longer-term issues associated with the problem, including the disruptive effect of job transfers and resignations on effective city management.

The adoption of many of the suggestions in this study is complicated by the fact that, over the years, Los Angeles has gone from being "the union-free alternative to San Francisco" to a city where organized labor has become increasingly powerful. Los Angeles has one of the most dynamic (if not the most dynamic) labor movements in the country. In addition, as Section I has described, city government has sometimes historically abdicated its managerial responsibility within the collective bargaining process. This has, at times, actually increased the power of the unions, and the resulting pressures on elected officials. While political power is diffuse and distributed among a variety of groups, labor has a well-documented, powerful influence on the electoral process in city elections. ***Unless there is a major catastrophe, it is highly unlikely that there will be motivational "sticks" such as layoffs or the privatization of city services for non-cooperation or job actions anytime soon.***[53] (In fact, at least two unions have some form of permanent no-privatization guarantee built into their contracts.) It has often been the very real threat of privatization that has been a major motivating factor in work with public sector labor-management committees.[54] (Layoffs are so demoralizing that it is not as common to find creative responses to cope with them, although it does happen. In Phoenix, during a fiscal downturn, fire fighters took unpaid furloughs to maintain staffing levels rather than have layoffs.)

4) ***For this reason, our fourth suggestion is to work with the labor- management committees to develop incentives that would result from their work in generating documented savings. While many may object to the concept of allowing financial incentives for this labor-management work, we would argue that without incentives the potential cost savings that could materialize are not likely to happen at all, and that this motivational concept is well understood by those in the private sector.*** Many in the private sector also understand the great

[53] For a useful analysis of privatization, see Sclar, Elliot. You Don't Always Get What You Pay For: the Economics of Privatization. Ithaca, NY: Cornell University Press, 2000.

[54] U.S. Department of Labor. "Working Better Together for Public Service. Report of the Task Force on Excellence in State and Local Government Through Labor-Management Cooperation." 1996.

gains in productivity that can be obtained when the ideas of those closest to the work are appropriately considered and implemented. [55]

This fourth suggestion would provide additional motivation for participation in the labor-management committees, and also begin to reduce the inequities that are occurring. In the long run it may also help reduce managerial problems stemming from the chronic transfers of staff to the DWP. It could also help with the actual negotiations, and reduce conflict. ***It would not cost taxpayers additional money, as only money from newly found savings would be included.*** Financial incentives in government for labor-management work have occurred with considerable success in a number of jurisdictions, including Louisville, San Diego, Miami-Dade, Philadelphia, the Veterans Administration, and King County, Washington State.[56] There have also been miserable failures. The program would have to be very carefully designed and negotiated to clarify what types of items would be eligible for inclusion (to address potential suggestions such as "let's just fire all of the managers"), and to reduce the potential for unintended consequences, but we believe the benefits could be substantial.[57] The Labor-Management Workgroup would oversee the initiative, and a budget analyst attached part-time to that office could assist in the assessment of actual savings.

One last important component of the labor-management work would be the involvement of unions in risk avoidance, helping to identify and help mitigate any situations that could lead to the city having to pay damages. Los Angeles has historically spent millions of dollars on legal settlements, and involving and listening to the unions as part of an "early warning system" could be extremely beneficial. Perhaps this could be formalized by establishing a joint grievance and arbitration "screening process" citywide and/or within departments that have significant numbers of grievances and arbitrations. This joint activity would augment the work by management that is already being done in some departments and by the CAO. In addition, involving the unions in the development of disciplinary standards, training academy curriculum, etc., could assist in reducing risk.

We would also suggest that the city public sector unions in Los Angeles consider forming a Public Sector Conference similar to the one that has operated in New York City for many years. That body has advisors from several of the private sector unions as well, and they have often provided much helpful advice and, at times, acted as behind the scenes mediators. We would suggest that the first agenda item for the group be a joint exploration of other ways the issue of inequity in salaries in the city workforce could be addressed. Of course, the Los Angeles County Federation of Labor could also play a key role here. The Public Sector Conference may also consider creating a form of coalition bargaining. This is a way of streamlining some parts of the negotiation process for both

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[55] See Kotter, John. Leading Change. Cambridge, MA: Harvard Business School Press, 1996. Also Collins, Jim. Good to Great: Why Some Companies Make the Leap...and Others Don't. New York: Harper Business, 2001.

[56] See Beach, Allyne and Linda Kaboolian. "Working Better Together." Harvard University, Kennedy School of Government and the Public Sector Labor Management Committee. 2005. Also www.plsmc.gov.

[57] City and County of San Francisco and IFPTE Local 21. "Union-City Partnership Program Proposal." March 2005. *Contains a review of recent national gain sharing efforts, as well as research on criteria for success*.

labor and management that will be discussed in Section I (similar work has been done in the past in Los Angeles, with many unions participating in a citywide JLMC on benefits).

Labor-management work can be very challenging under the best of circumstances. In the current environment in Los Angeles, the strategies described above would appear to us to have the best chance of providing additional incentive to collaborate to achieve efficiencies, while improving the overall effectiveness of government operations.

Suggestion #3:

Address the succession planning issue, with the unions.

Los Angeles officials are currently studying the issue of succession planning. We also believe considering at some point the establishment of departmental JLMCs, where both parties believe it would add value, to explore what can be done to address the crisis in succession planning. ***A citywide JLMC could be established as well, to coordinate efforts, draft policies that would apply to all departments, and bring research and ideas from other sources to the attention of the departments.*** Much has been written about succession planning in recent years, and many promising practices (including knowledge transfer methods, the use of "bridge" programs, the documentation of procedures, social network analysis, and strategies for the retention of staff, including younger staff) have been developed. A city department could be tasked with providing a summary of the best thinking available, and/or perhaps consultants or universities would be willing to contribute their expertise. Foundation funding might be available for this purpose. ***The unions could also assist with recruitment initiatives, where appropriate.*** We would highly recommend involving the proprietary departments in this endeavor, if that is possible.

In the current fiscal climate, it may be tempting to once again consider imposing hiring freezes as a cost-saving solution. As mentioned earlier, this has not only led to serious difficulties in managing the departments in the past, it would also wreak havoc with any thoughtful attempt to manage and plan for the upcoming wave of retirements.

Over time, current mentoring, vocational and apprenticeship programs should be expanded, wherever possible, to create opportunities for youth in Los Angeles to become part of the city's workforce. There are many initiatives currently under way. These include LA Bridges, CITY JOBS, LA Youth Opportunity Movement, LA One Source System, an expanded "Learn and Earn," and a new city-wide First Source Hiring Program for city contractors. Ensuring that these are integrated and coordinated with succession planning efforts is important, and the citywide JLMC and Labor-Management Workgroup could assist with that task.

It is also important to enhance the effectiveness of the many managers and supervisors who will be newly promoted as a result of the upcoming retirements. Los Angeles has some very talented managers and supervisors who can assist in the mentoring process. It also has some managers and supervisors who will not be retiring in the near future who would benefit from mentoring, as well as training. The current administration appears to be very committed to managing in a professional manner, and needs to ensure that its

plan to enhance managerial and supervisory skills includes succession planning related issues.

Finally, it is worth mentioning again that the morale of those left behind after this very large wave of pending retirements is an important consideration, and is another reason to seriously explore the suggestions provided here.

Suggestion #4:

Develop a citywide strategic plan for all of Los Angeles, including plans for specific policy areas. Involve the major stakeholders, including the unions.

Over the years Los Angeles has undertaken many innovative and highly successful planning initiatives. However, these have tended to be fragmented, and have not included the creation of a vision and thoughtful strategic plan for the city as a whole. ***Creating and integrating strategic plans for specific policy areas, including those that already exist, within the larger strategic plan would be an important part of this effort.*** Other cities, including Fort Lauderdale, Chattanooga, Sunnyvale (California), and Portland (Oregon) have been very thoughtful in the development of strategic plans that have included major stakeholders and brought impressive results. The inclusion of Los Angeles unions, businesses, community organizations, and faith-based organizations, is essential. In addition, "America Speaks" style town meetings with constituents would support the growing movement toward public involvement in strategic planning of government services. Coordination and integration with the city's new Youth Master Plan, once it is developed, would also be beneficial.

We also believe that other cities be consulted for promising practices, and that the great talent that exists in the Los Angeles university, philanthropic and consulting communities be tapped to assist with this effort.

Suggestion #5:

Bring together major stakeholders, including the unions, to do both short and long-term economic development planning for the city as well as for the region.

We stated our concern earlier that unless the "economic pie" is expanded for both public and private sector workers in Los Angeles, future labor negotiations will grow increasingly contentious. We have also mentioned many of the serious challenges facing the city. We feel that a holistic, long-term economic development plan, coordinated with any strategic planning that is done, would be very beneficial. Currently, there are a number of potentially promising initiatives, including the Century Boulevard Corridor, the Valley Plaza in North Hollywood, and the Convention Center hotel. Los Angeles has a long and rich history of planning and implementing worthwhile and successful economic development projects. There has not been, however, a sustained citywide economic development plan developed by the major stakeholders, including the business community, elected officials, community representatives, philanthropists, unions, convention and visitors bureau members, and local experts. In addition, while much

attention has been focused downtown over the last thirty years, the other parts of the city have often been neglected. ***We believe Los Angeles has a great "brand," and the investment in time and energy of a thoughtful, inclusive approach would bring great dividends. There is also a great need for regional economic development, and to integrate both efforts. We believe the City should concurrently focus on a few projects with the relevant stakeholders in order to begin to address immediate needs. This would include identifying several initiatives that have a high potential for adding new revenues, as well as providing higher paying jobs for those earning less than a living wage.***

Cities that currently have very effective economic development strategies with impressive results include Seattle/Tacoma, Chicago, Dallas/Fort Worth, and Indianapolis. In Seattle/Tacoma, a consortium includes city and county government officials, the private sector, colleges, and organized labor. The marketing arm is the Seattle Trade Development Alliance, and the focus is on building trade in domestic and international markets. In Chicago, the entity credited with much of the success is World Business Chicago, a not-for-profit whose board is made up largely of high-level private sector executives and chaired by the Mayor. Indianapolis is focused on rebuilding the city's commercial core and resuscitating a dying regional economy. The Indianapolis Regional Center Plan 2020 was developed by using a three hundred-person stakeholder process, and was adopted as part of the City's Comprehensive Plan in March 2004.[58] In addition to longer-term economic development planning, there are also many pressing shorter-term needs.

We would like to offer a few suggestions for consideration when thinking about economic development. (Of course, local planners, and universities will have many others.)

- There is a great deal of enthusiasm across the country for Richard Florida's ideas about the creative economy.[59] ***Innovation is key to economic productivity. Cities that attract creative people, and invest in the quality of life, recreational amenities and educational and entrepreneurial support they need, are investing in the most critical resource for their economic future, people. Diversity, which is one of Los Angeles' strengths, is also a positive attraction for this "creative class," as is the strong arts culture already in existence here.***

- For too long economic development policy has focused almost exclusively on industries, but in a global economy, firms do not necessarily stay long. Workers are more inclined to stay, and many planners are now recommending that economic development focus on occupations as well.[60] They suggest it is important to first identify what it is that makes a city distinctive. Then support those occupations, because those who inhabit them will most likely stay in the

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[58] See www.indyrc2020.org. This web site shows how the plan was developed and is being implemented. It contains a great deal of other useful information, and also allows for on-line discussion of important issues.

[59] Florida, Richard L. The Rise of the Creative Class, and How It's Transforming Work, Leisure, Community, and Everyday Life. New York: Basic Books, 2002.

[60] Markusen, Ann. "Targeting Occupations in Regional and Community Economic Development." Journal of the American Planning Association 70.3 (2004).

city longer than the firms cities typically try to attract with tax abatements. Greg LeRoy demonstrates that investing in good jobs is the key to economic development.[61] Research shows that public sector investments are usually more helpful to economic development than tax abatements.[62] ***The best way to promote economic growth is to invest in quality physical infrastructure, social infrastructure (quality of life, amenities, child care, etc.), the labor force, and sound and efficient government procedures that facilitate business productivity.*** Focusing almost exclusively on industrial attraction is a failed strategy, as productivity investments are the key to sustainable economic development in the long term.

- Los Angeles should also focus on the lower end of the economic spectrum. ***Job training, child care, and expanding retail to underserved areas where there is much poverty are all important. Michael Porter has argued that, in addition to issues of equity, investing in such areas often has more market potential than people realize.***[63]

- In addition, the city can enhance its efforts to work with educators, hospitals and other sectors to ensure high quality of life and services. This attracts and retains workers and provides critical support to the local population. Child care is an example of an area where cities across the nation are investing in a whole range of services that make them quality places to live and work.[64] That type of service attracts and retains workers, and their employers. "Locational stickiness" is a critical factor. What can Los Angeles do to make it attractive for firms to stay? ***Information networks, technical resources and marketing channels are some of the pieces of "cooperative competition" that make business clusters and industrial districts popular economic development strategies.*** For example, the entertainment industry will not leave Los Angeles because so much of the related service industries and talent pool is available locally. How much it chooses at times to work elsewhere, however (and that figure is growing), is partly a result of how attractive the city is.

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We believe well thought out, inclusive and well-coordinated economic development initiatives, both short and long-term, are essential if Los Angeles is going to be able to

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[61] LeRoy, Greg. No More Candy Store: States and Cities Making Job Subsidies Accountable. Washington, DC: Institute on Taxation and Economic Policy, 1997.

[62] Bartik, Timothy J. Local Economic Development Policies. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, 2003. Also Lynch, Robert. G. Rethinking Growth Strategies: How State and Local Taxes and Services Affect Economic Development. Washington, DC: Economic Policy Institute, 2004.

[63] Porter, Michael E. "The Competitive Advantage of the Inner City." Harvard Business Review 73.3 (1995). Also Porter, Michael E. "The Economic Performance of Regions." Regional Studies 37.6 and 37.7 (2003).

[64] Warner, Mildred E. "Local Government Support for Community-Based Economic Development." The Municipal Yearbook 2001. Washington, DC: International City County Management Association. Also Warner, M.E. et al. Economic Development Strategies to Promote Quality Child Care. Ithaca, NY: Cornell University Department of City and Regional Planning. http://government.cce.cornell.edu/doc/pdf/EconDevStrat.pdf.

meet the many challenges it currently faces. The pieces are already there and ready to be put in place.

Conclusion

We wish to emphasize again that it will take time to consider and possibly adopt some or all of these ideas for consideration. Even if a third of them are undertaken, and done well in the next year or two, we would expect to see some significant improvements in labor relations in Los Angeles, as well as a positive impact on the city itself.

We are sensitive to the fiscal implications of our proposals, and believe the cost is minimal, as it will primarily involve re-focusing the activities of some existing staff and strategically leveraging volunteer and foundation/grant support. Areas of initial emphasis could include:

- ***a focus on significantly improving management operations, and performance measurement (in part through labor-management cooperation)***

- ***transparency in the sharing of fiscal information with the unions***

- ***a recognition and statement of the need to eliminate inequities in salaries over time, and some movement in that direction***

- ***a continuation of the effort to address succession planning, and involving the unions in helping to address the issue, including recruitment, where appropriate***

- ***a more concerted effort to analyze areas of potential legal risk, and involving the unions in those discussions***

- ***and at least some initial steps towards developing more thoughtful and inclusive strategic planning and economic development initiatives***

Appendix A

Los Angeles Organizations Participating in the Interviews

We especially want to thank those we interviewed, who were so thoughtful in their responses to our questions and very gracious despite the many competing demands on their time. These include managers and/or staff from the following City organizations, unions and interested stakeholders:

- AFSCME
- AIRPORT
- CAO's OFFICE
- CITY ATTORNEY'S OFFICE
- CITY CONTROLLER'S OFFICE
- DEPARTMENT OF PUBLIC WORKS
- EAA
- EERC (City Council Members)
    - Eric Garcetti
    - Wendy Greuel
    - Alex Padilla
    - Bernard Parks
    - Dennis Zine
- EMPLOYEE RELATIONS BOARD
- FIRE DEPARTMENT
- HARBOR
- IBEW
- JAIL
- LIBRARY
- LOS ANGELES COUNTY FEDERATION OF LABOR
- MAYOR'S OFFICE
- PERSONNEL DEPARTMENT
- POLICE DEPARTMENT
- POLICE PROTECTIVE LEAGUE
- RECREATION AND PARKS
- BUREAU OF SANITATION

- SEIU
- UFLAC
- DEPARTMENT OF WATER AND POWER

We would also like to thank the following Los Angeles employees for their invaluable assistance and patience in providing documentation and answers to our seemingly never ending lists of questions: Maritta Aspen, Karla Cortez, Mary Higgins, Gordon Lawler, and Royce Menkus, of the CAO's office, and Maggie Whelan, General Manager of Personnel.

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Consultants who worked on this study include: Laurie Brown (former Special Assistant to the Mayor, City of Seattle and former Co-Chair of the Seattle City Coalition of Labor Unions), Rani Findlay, Michael Schoeppach (former Director of Labor Relations, City of Seattle), and Jonathan Walters (of Governing Magazine).

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Appendix B

The Negotiation Process

There may be slight variations on this process, depending upon the circumstances.

The unions typically poll their members and develop bargaining strategies well in advance of formal negotiations.

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CAO negotiators review local and national economic data, as well as settlement trends, and develop recommendations based on trends and predictions a month or two before negotiations begin.

↓

CAO meets with city department managers to develop management's proposals on departmental issues and working conditions before meeting with the union.

↓

Negotiations begin (usually March or April). The union brings its list of proposals, both economic and non-economic.[1]

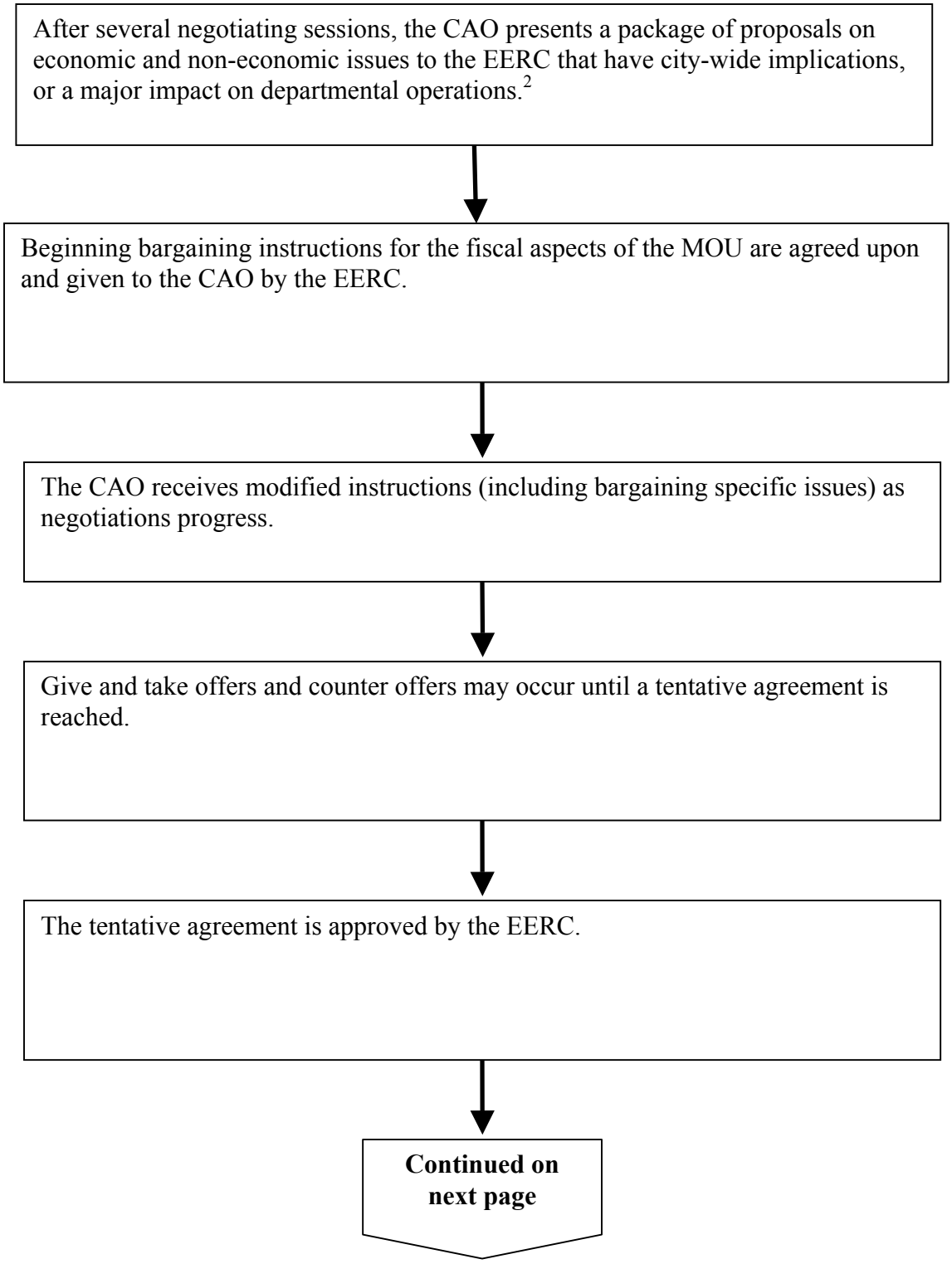
↓

The CAO initially listens to union proposals, looks at key issues that might affect operations and productivity, and determines the value of other issues.

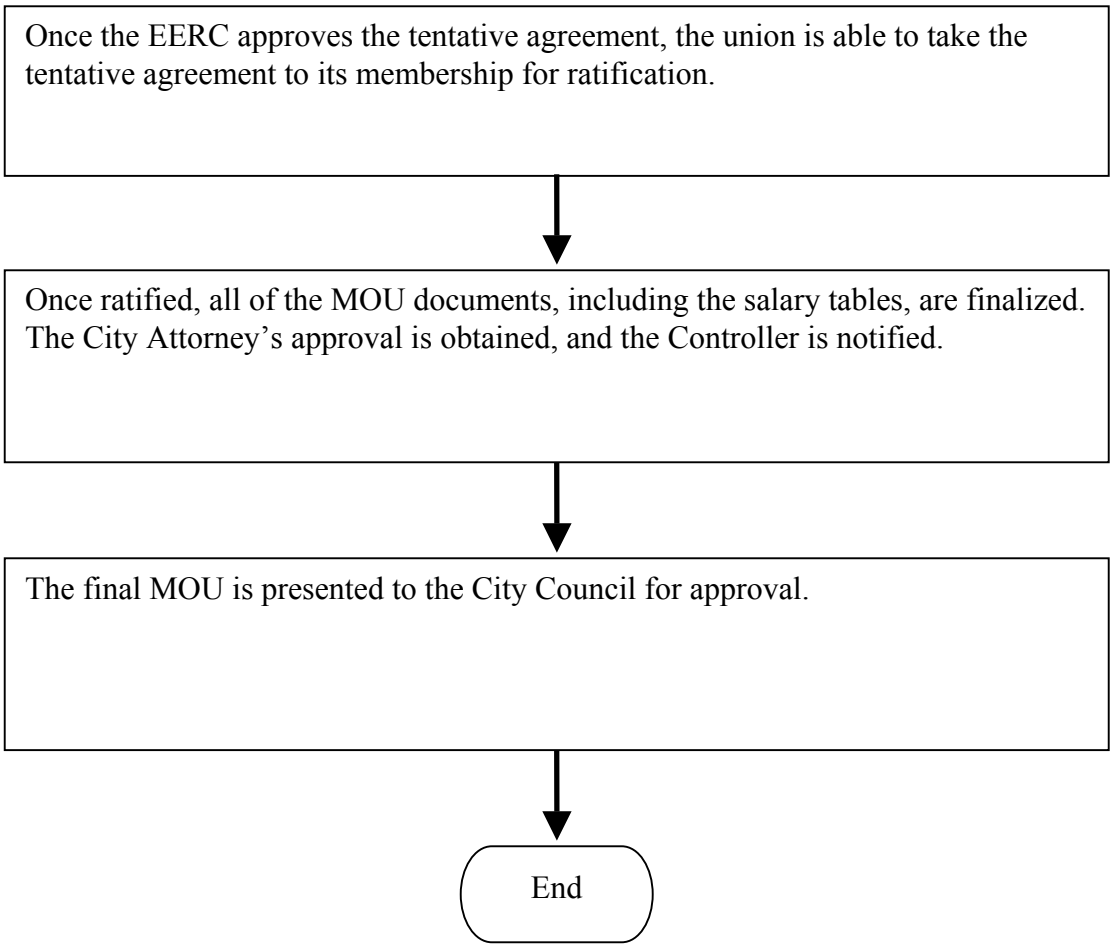
↓

Continued on next page

[1] Proposals regarding departmental issues and working conditions are usually negotiated first, prior to the economic instructions provided by the EERC. They may wait until after the budget is resolved to negotiate economic issues.



[2] Non-economic issues are not always presented to the EERC. They are included if the perceived impact will be significant, and/or will affect many departments.


Once the EERC approves the tentative agreement, the union is able to take the tentative agreement to its membership for ratification.
Once ratified, all of the MOU documents, including the salary tables, are finalized. The City Attorney's approval is obtained, and the Controller is notified.
The final MOU is presented to the City Council for approval.
End

Additional information about the process:

- Disputes arising out of the labor relations process are addressed by the ERB, including impasse, mediation and fact-finding.

- Side letters may be included with the MOU for issues that could not be resolved during negotiations, or are not appropriate for inclusion in the permanent document.

- The CAO meets with the EERC on the second and fourth Tuesday mornings. Briefing material is provided to the EERC on the Friday morning prior to each meeting. At the meetings, the CAO provides a report on economic and non-economic issues, with recommendations. Discussion follows. During negotiations, anytime the CAO presents to the EERC, the CAO notifies the union. The union is usually allowed to make its own presentation at any point as well. The CAO is present for the union's presentation, but the union is not present for the CAO's presentation. The EERC may ask questions, then deliberates and votes. The CAO notifies the union of the outcome when they next meet.

NOTE: An important exception to the above is the process used by the Department of Water and Power. In 1996 the General Manager of the Department of Water and Power appeared before the EERC and requested permission to remove the CAO from the process, and to allow the General Manager of the Department to conduct the negotiations. Permission was granted, although no changes have been made to the Employee Relations Ordinance. Bargaining instructions are provided by the EERC to Department management. (The EERC may request the CAO to provide recommendations regarding the instructions.) MOUs with the Department of Water and Power are ratified by the City Council.

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