

NEWS



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CITY OPENS FACT-FINDING HEARING PROPOSING 10% WAGE INCREASE AND PRESERVING PENSIONS

SEA's 20% wage proposal would jeopardize City's financial sustainability

SUNNYVALE, Calif. – The City of Sunnyvale is meeting today with its largest employee association – the Sunnyvale Employees' Association (SEA) – in a public fact-finding hearing to continue negotiating a labor agreement that expired in June 2015. Since negotiations began in spring 2015, the City and SEA have been unable to reach an agreement despite 22 bargaining sessions and meetings with the City Manager and a California State Mediator. In summer 2016, the City increased its wage proposal from 8 percent to 10 percent and offered to preserve cost sharing ratios between employees and the City for CalPERS pensions; SEA declined this proposal, declared impasse and triggered a fact-finding hearing per state law. The City and SEA [fact-finding materials](#), including a two-page summary of the City's proposal, are available on the City's website. The City's proposal clearly shows that:

- SEA employees' current compensation is competitive regionally;
- The City's proposal to SEA is consistent with compensation packages for other employee groups (the City has reached agreement with four out of five employee groups since spring 2015);
- The City's proposal provides cost-of-living adjustments consistent with expectations for inflation;
- SEA employees' compensation offers generous paid leave, active medical, and retirement benefits of considerable value. When looking at total compensation (wages plus benefits), SEA employees earned an average of \$123,714 in Fiscal Year 2015/16; and
- In the last decade, most SEA employees have experienced wage growth exceeding inflation; for those receiving promotions, real wage growth has outpaced inflation even more substantially.

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“We deeply recognize the workforce’s direct connection to our community’s quality of life through the essential services they provide,” stated City Manager Deanna J. Santana. “The City also certainly understands SEA’s desire to achieve maximum benefit for its members; however, the facts clearly demonstrate the City is making a substantial investment in its valued workforce while also balancing growing expenditures and economic uncertainty.”

While the City has realized some new revenue, expenditure growth has outpaced revenue growth, resulting in a more complex fiscal environment. Economic highs are also very cyclical in Silicon Valley making them an unwise financial base from which to build the City’s budget. Moreover, the City shares new revenue with the county, school districts and special districts, and this limited new revenue has been quickly consumed by increased costs for pensions, health care and operational goods and services. For instance, last year, the City had to absorb \$167 million from CalPERS changes to actuarial assumptions and amortization of investment losses, and will now need to address an additional approximately \$130+ million in its 20-year financial plan primarily resulting from CalPERS’ recent reduction in its assumed rate of investment return. Capital project costs have also increased an average of 3 to 4 percent per year.

It is important to note that CalPERS’ structural corrections continue to have a significant impact on cities. Since a majority of the City’s operating expenses are the salary and benefit costs for Sunnyvale employees, the City simply must continue to manage these costs to ensure its financial stability over the long term, particularly since total compensation is growing faster than revenues. Compared to the City’s proposal which would add \$7.2 million in ongoing costs to the City’s budget, SEA’s proposal would add \$12.4 million which includes \$1.5 million for retroactive pay.

In short, the City’s proposal to SEA provides very competitive compensation and benefits, while also balancing the City’s ability to remain fiscally sustainable and deliver high quality services to the Sunnyvale community.

Fact-finding materials:

<http://sunnyvale.ca.gov/Departments/HumanResources/LaborAgreements.aspx>