

# NEWS



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## **Fact-Finder Report Ignores Fiscal and Service Impacts of Union Demands for 17 Percent Wage Hike**

### ***City Asks Union to Return to Negotiating Table***

**SUNNYVALE, Calif.** – City of Sunnyvale officials today criticized a [non-binding fact-finder report](#) for supporting a Sunnyvale Employees Association (SEA) compensation proposal that would severely impact the City’s general fund and lead to employee layoffs and service cuts for residents.

The fact-finding report – which supported the union’s wage proposal of 17 percent, including a retroactive 4 percent pay hike – failed to consider how the union demands would put the City in a precarious financial position, making it difficult to weather future economic downturns and support needed public services. SEA also proposes to reduce the City’s pension contribution by 3 percent. This would initially reduce the City contribution to a 27 percent pension contribution on top of salary. However, the City’s pension contribution is expected to increase substantially in the future based on changes in CalPERS’ earnings assumptions. SEA has threatened work stoppages if the City doesn’t agree to its demands.

“The City Council has an obligation to budget responsibly so we can continue to provide services to the community,” said Sunnyvale Mayor Glenn Hendricks. “The non-binding report doesn’t change the fact that the union’s demands are unaffordable and unfair to the City and its taxpayers.”

The City’s last, best and final three-year compensation offer would increase SEA wages by 10 percent – 5.5 percent immediately – while continuing generous pension and health benefits. The City would continue to pay 4 percent toward the employees’ share of their pension contribution, resulting in a total contribution of 30 percent above salary. The union demands would cost a minimum of \$82 million more than the City’s offer (total package) – the equivalent of 11 public safety officer positions or 38 percent of the City’s library budget. Further, the City is already facing an additional \$300 million hit to the City’s budget to cover state pension system reforms.

The City does not plan to take action on the fact-finding report. The union requested the fact-finding process after rejecting the City’s last offer and declaring an impasse. Unlike binding arbitration, neither side is required to take any action on the fact-finding recommendations under state law.

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With a fair and financially responsible compensation offer on the table, the City has urged the SEA leadership via a letter sent on April 19 to return to the bargaining table and continue good faith negotiations, thus avoiding any unnecessary and potentially damaging work stoppages. The parties have not met in bargaining since June 28, 2016. To date, SEA leaders have not responded to the City's April 19 letter, and it appears that they will proceed with a previously scheduled strike vote on April 25.

"The City values, supports and respects its employees, which is why, during one of the worst recessions in modern history, Sunnyvale didn't lay off, furlough or cut the salary of a single one of our 900 employees," said Mayor Hendricks. "We are willing to work with SEA on resolving our differences in a way that doesn't jeopardize City services or threaten Sunnyvale's financial stability. It's time to get back to the table."

Since more than 50 percent of the general fund budget is earmarked for public safety, officer positions could be lost as a result. The reduction in the library budget could force the elimination of weekday evening hours and require the library to close on weekends.

"The fact-finder process does not relieve the City of its voter-approved charter obligation to put forth a 10-year balanced budget and its responsibility under City Council policy to have a 20-year financial plan," stated City Manager Santana. "Instead, SEA has put the City in a position where it either faces work stoppages or pays SEA employees a 17 percent wage increase that would far exceed market wages."

## **BACKGROUND**

SEA represents a broad range of employees, but mostly blue-collar workers, including maintenance workers and public works employees, who average wage and benefits of more than \$100,000 annually. Among its generous benefits, the City pays full health care for most SEA members and their families, which would continue under the City's current proposal.

The fact-finder's conclusions were based on faulty reasoning, at one point citing the City's two-tier wage system. In fact, it was the State of California, through the 2013 Public Employee Pension Reform Act – and not the City – that created a multi-tiered *pension system* with contribution rates and retirement benefits that vary between tiers. "The City cannot change state law," said City Manager Deanna J. Santana. "The fact-finder then goes on to express concern that the City could arbitrarily reduce its contribution to employee pensions, but any change in contributions would have to be part of future labor negotiations, just like any other change in benefits."

The fact-finder also agreed to the union demand for a retroactive wage hike, even though union leaders themselves failed to accept what the fact-finder calls a "reasonable" wage increase offered by the City during two years of labor talks. During those months of bargaining, the City increased its initial offer three times before offering its last, best and final proposal in August 2016. SEA negotiators, on the other hand, only reduced the union wage proposal marginally on March 9 (after the fact-finding hearing) and have not accepted a request to mediate.

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The fact-finder also failed to take into consideration how Sunnyvale union workers are compensated now compared to neighboring towns – the fairest way to judge compensation and whether retroactive pay is justified. A City survey found that even with no raise, 10 of 13 SEA job classifications are at or above average when compared to neighboring communities. Retroactivity is generally awarded when employees have below market compensation, and this is not the case. Under the City’s proposal, all SEA job classifications surveyed would be 2 to 13 percent above average. SEA’s proposal would put all job classifications 6 to 17 percent above market, with more than half the classifications at least 10 percent above market.

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