

City Council, Special Meeting
 Council Chambers
 777 Cypress Avenue
 Redding, California
 March 15, 2010 5:15 p.m.

The meeting was called to order by Mayor Jones with the following Council Members present: Bosetti, Dickerson, McArthur, and Stegall.

Also present were City Manager Starman, City Attorney Duvernay, Assistant City Manager Tippin, Electric Utility Director Hauser, and Personnel Director Speer, Deputy City Clerk Mize, and Executive Assistant Grimm.

At the hour of 5:22 p.m., Mayor Jones announced that the City Council would adjourn to closed session to discuss the following:

CLOSED SESSION

Pursuant to California Government Code Section 54957.6:

CONFERENCE WITH LABOR NEGOTIATOR

Designated Agency Representative: Personnel Director Speer

Employee Organizations: Local Union 1245 of International Brotherhood of Electrical Workers AFL-CIO - Electric Employees

[P-100-050-070]

At the hour of 6:15 p.m., Mayor Jones reconvened the Special Meeting to Open Session and announced that Council had not taken any reportable action and reserved the right to continue the Special closed session to immediately following the Regular meeting.

IMPASSE HEARING - City of Redding and the International Brotherhood of Electrical Workers Local Union 1245-Electric, relative to a Successor Memorandum of Understanding [P-100-050-070]

City Manager Starman summarized the Report to City Council (staff report) dated March 10, 2010, incorporated herein by reference, recalling negotiation efforts relative to a successor Memorandum of Understanding that began in July 2008, and have resulted in an impasse with the International Brotherhood of Electrical Workers (IBEW) Local Union 1245 - Electric. Mr. Starman reviewed a 13 point summary, entitled *Attachment A-1* of the staff report, noting that the fiscal impact of the proposed one-year contract would be an increase of approximately \$290,000 over the next 12 months, to be offset by a one-time decrease of \$572,000 to the City's actuarial accrued liability for future retiree health insurance and by an ongoing decrease of \$260,000 to the City's cost for future retiree health care. Mr. Starman recommended that the Council consider the merits of the dispute between the City of Redding and IBEW and take appropriate action to resolve the impasse.

Responding to Council Member McArthur, Mr. Starman ascertained that after 18 months of impasse and due to increasing GASB 45 requirements, along with IBEW objections to "adverse selection" and inequity issues caused by a two-tiered retiree health care benefits system, Council's direction was to apply the same benefit level to all IBEW Local 1245 union members and proposed the existing terms of the City's Last, Best, and Final Offer, *Attachment A-2* of the staff report.

Ray Thomas, IBEW 1245 Representative, declared that after last week's meeting with the City Manager and subsequent member voting, IBEW disputes only item number eight on *Attachment A-1*, the modifications to the retiree health care benefit for incumbent and new employees. Mr. Thomas provided a detailed history of negotiations and the union's rebuttal to claims that GASB 45 funding requirements can be equitably mitigated by the proposed final offer from the City. He stated that a re-actuary, which was run by the City's actuary at IBEW's request, showed that eliminating retiree health care insurance for new hires would actually cause the City's actuarial accrued liability to go up 17.5 percent, due to contamination of the combined risk pool. He clarified that IBEW's objection to two-tiering was not that employees wouldn't agree to a graduated vesting formula, but rather that zero contributions by future hires would drive unfunded liabilities up. Mr. Thomas recalled that the City Council and/or City staff rejected IBEW proposals for a four year agreement with no city contribution to future hire retired medical and no access for future hire to purchase into the plan, thereby eliminating adverse selection results, and their idea to fund retired medical until future retirees reached medicare eligibility age through a retirement health care

savings plan with VantageCare, funded by a maximum of 22.5 percent of wages. He mentioned that a union coalition has been working together to attempt to ease the unfunded liability issue the City faces and conveyed that police and fire union representatives are prepared to take a graduated two percent vesting formula for new hires to their members for approval. He noted that the IBEW bargaining team did not receive a new City proposal until February 16, 2010, when the City brought a new Last, Best, and Final (LBF) offer, as submitted tonight. IBEW objected to a new LBF offer when one already existed and retained the right to litigate changes to promised benefits under state constitution rights. Mr. Thomas reiterated that IBEW had been negotiating in good faith over the last 18 months and requested that, in spite of remaining salary inequities for 53 Redding Electric Utility (REU) employees and other noted objections, he be allowed to take the proposed LBF offer, without changes to incumbent employee retirement health care benefits, to IBEW members for a vote.

Chris Darker, Tri-Counties Member Council Vice President, expressed solidarity with IBEW. He supported attempts to find real solutions to retain and expand good jobs and create economic growth in the City of Redding (COR). Mr. Darker favored retaining existing retiree medical benefits for incumbent employees.

Steve Allen, speaking as a 20 year citizen and a 30 year labor relations practitioner, opposed unilateral implementation, stating concern over dramatic effects on employees and the community. He relayed that in his experience, unilateral implementation is reserved for circumstances of dire financial hardship, i.e. bankruptcy or when no other alternative is available to prevent disastrous consequences, which he declared is not the case with COR/IBEW negotiations. Mr. Allen encouraged the Council to find another way to resolve the slight difference in positions and to consider inspiration to other unions.

Paul Synder, IBEW Local 1245 Chair, cited a staff report dated February 7, 2010, showing \$35.4 million in unrestricted REU funds, plus \$15 million designated for bond debt service and other obligations. He claimed that IBEW representatives were told that funding to bridge wage inequities via a four-year contract had been calculated into the last electric rate increase and asserted that REU funds should be used to settle fairly with the workers who directly contribute to making it possible for the utility to keep rates 30 percent lower than PG&E. Mr. Synder opined that unnecessary reductions would affect not only IBEW members, but also impact a broad scope of local businesses who depend on city workers spending their earnings. He suggested borrowing \$14 million from REU to augment the General Fund to keep full staffing for fire and police departments, at no additional cost to ratepayers, contending a remaining balance of \$21.4 million in unrestricted reserves.

Gary Berkley, IBEW Maintenance Shop Steward, illustrated the dedication and importance of skilled line workers with a power outage scenario. He asked the Council Members to think about the people who do extremely dangerous work in all weather conditions; work that provides consistent and dependable power that satisfies the needs of the whole community. He implored Council to refrain from taking away retirement medical recompense.

Ken Herrick, REU Electrician, protested the change to retiree medical insurance premium subvention, stating that he retired early to retain a 50 percent out-of-pocket level for coverage, as he had been promised under his terms of employment with the City eight years earlier, rather than find himself 84% out-of-pocket if he retired in October 2010, as planned. Mr. Herrick expressed emotional distress over Council's proposed action and indifferent treatment of REU/IBEW members.

Mayor Jones closed the impasse hearing.

Staff responded to questions from Council Members, and City Attorney Duvernay interjected clarification of labor law as applicable to unilateral implementation of contract terms in the absence of an executed MOU. Mr. Duvernay explained that the term "vested", as used in *Attachment A-1* of the staff report, did not imply a vested benefit, but rather a five year eligibility requirement to qualify for the two percent formula as presented and described to the Council. He advised that he had published a legal opinion memorandum relative to prior contractual promises, concluding that retiree medical insurance premiums were a vested benefit for existing retired city employees, but were not a vested benefit for incumbent or future city employees for reasons outlined in his memo. Mr. Duvernay noted that the memorandum was a public document, available for review by any interested parties.

Council Member Stegall advised she would not support changing existing city employee insurance coverage and premium compensation upon retirement and suggested tabling the item for two weeks to explore the depth of cooperation available from other labor unions. Ms. Stegall surmised that financial benefits cited by staff would be reduced by costs to battle legal proceedings or a Public Employment Relations Board complaint brought against the City by IBEW. She asked the Council to look at the situation a little further and consider the people who work for the City.

A MOTION WAS MADE by Council Member Bosetti, seconded by Council Member McArthur, unilaterally implementing the City’s Last, Best, and Final offer to Local Union 1245 of International Brotherhood of Electrical Workers AFL-CIO - Electric Employees as submitted as Attachment A-2 of the Report to City Council dated March 10, 2010.

The Vote:

- AYES: Council Members - Bosetti, Dickerson, McArthur, and Jones
- NOES: Council Members - Stegall
- ABSTAIN: Council Members - None
- ABSENT: Council Members - None

There being no further business, Mayor Jones declared the meeting adjourned at the hour of 7:13 p.m.

APPROVED:

Mayor

ATTEST:

Deputy City Clerk