THE PEOPLE NUMBERS

Cities pursue the formula for stable and sustainable personnel costs
Environmental solutions that make a world of difference.

We bring our expertise and advanced technologies to businesses and communities to minimize waste, make recycling easy, and create renewable energy.

wm.com
1-800-592-9995
President Kennedy noted in 1963 that “a rising tide lifts all boats.” It also can be said that when the tide goes out, boats that aren’t nimble can easily end up on the rocks. The current five-year span of economic ebb tide experienced by our municipal ships of state has often called for drastic budgetary maneuvering.

The largest expense for cities is employee costs, so as revenues declined, some adjustments in the personnel area were called for. Depending on the city’s level of pain, these adjustments took the form of furloughs, early retirements, hiring freezes, salary cuts, adjusted health care benefits, renegotiated union contracts, and/or layoffs. Many cities have found it difficult to respond nimbly because they are limited by state laws governing collective bargaining.

In the first three years of the recession, municipal employment dropped over a half million nationwide. At the same time, county, state, and federal budgets were being stressed. As a result, fewer tax dollars were returned to cities even as more services were being off-loaded onto those cities. In addition, consumers spend less during recessions, which leads to significantly reduced sales tax receipts, a problem compounded by sales tax–free Internet purchasing. In a recession, our sales tax–rich cities really get hit.

Property tax–dominant cities (Sammamish is one) have recently found revenues more stable. But the problem of spiraling health care costs and other personnel costs affects us all. During the expansion years prior to 2007, the rising tides of increased sales tax revenues and increased property tax revenues due to new construction both masked a long-term threat to sustainable personnel costs in Washington State.

In Sammamish, nearly two-thirds of our total city revenue comes from property taxes. If economic recovery brings higher inflation, our ship could still end up on the rocks, even with a rising tide. The point is that this isn’t a problem solved by duct tape. Our cities need substantive legislative and policy tools to help us achieve sustainable personnel costs under the wide range of economic conditions that will inevitably confront us in the future.
Welcome note 1
CityBeat 5
With budgets under pressure from factors like rising personnel costs, Washington cities plan ahead, question old assumptions, and face hard decisions squarely in the eye. And in our popular NOTED feature, we look at binding interest arbitration.

Pension Play 14
A recent legislative decision puts Washington cities on the hook for a huge additional chunk of pension-fund dollars starting in 2013. Cityvision looks at how we got to this point, how city budgets might absorb the blow, and how city leaders can turn the crisis into a long-term benefit for their communities. By Ted Katauskas

CityWise 21
Expert perspectives on setting up fair compensation systems, accounting for employee leave, and setting the table for successful collective bargaining. Plus, a nonprofit fair attracts an AWC Municipal Excellence Award.

CityScape 28
Reaping the benefits of employee-management collaboration.
So many choices.

Find the right fit for your health benefits.

AWC Employee Benefit Trust & Wellness Services

The Employee Benefit Trust benefit options are designed just for Washington’s cities and towns. For over 40 years, we’ve provided you comprehensive medical, dental, vision, life, LTD and EAP programs.

The AWC Trust is part of your city association. Nobody knows city challenges and budget pressures better than us. We understand that while you have budget constraints, you still want to provide comprehensive benefits that meet your employee’s health insurance needs. You have choices with the Trust. Give us a call, and we can help you find the right fit for your health benefits.

“...The Trust is open to change while keeping the plan’s integrity and meeting our needs. The plans are so good and versatile, we couldn’t find anything that compares. With the High Deductible Plan with HSA, the AWC HealthFirst Plan and Group Health, you meet everyone's needs—whether they are a full family, have grown children, are single, or empty nesters. The Trust offers plan options that fit where they are in life.”

Debra Young
Human Resource Director
City of Lakewood

- Health plan choices
- Competitive rates
- Pooled claims & admin costs
- Technical assistance
- 2% WellCity premium discount
- Retiree plan options
- COBRA administration
- Member advocacy

We protect your employees, your assets, your peace of mind.

Call on us: 800-562-8981
On the web: awcnet.org/healthbenefits
GIS has been expensive and a bit lazy. You thought it would change the way you work, but it’s not quite what you had hoped. The good news is that GIS is just data. And Beehive knows how to turn that data into powerful information that’s part of your daily life. It’s that simple.
People’s Choice

The impact of personnel costs hits home in Wenatchee.

WENATCHEE MAYOR Frank Kuntz knew the announcement he had to make in May would be explosive, but he also knew he was out of time. And out of options.

Seated on a desk in council chambers, with his back literally to the wall and facing a standing-room-only crowd of police officers and firefighters and their families, the mayor calmly explained that a shortfall in tax revenues and rising personnel costs had left the city with a general fund budget deficit of $1.5 million. And because Wenatchee’s three unions had been unwilling to entertain proposed reductions to health care benefits, which collectively were costing the city more than $1 million per year, he had no choice but to lay off eight firefighters, three police officers, a records clerk, and four represented staffers at the city museum.

Without waiting for questions, the mayor exited the room, which erupted in a cacophony of outraged catcalls from union members and apologies from the city council.

“We said, ‘If you guys take concessions..."
Permission to Streamline

Spokane analyzes its processes to free up valuable staff resources.

IN THESE DAYS of tight budgets, cities must deploy resources—particularly their human resources—with laser focus. Employees must be freed up to concentrate on work that adds value, jettisoning the unnecessary steps for the benefit of the city organization and, more importantly, the customer.

For Spokane recently, the surplus work lay in permitting. According to Jan Quintrall, the city’s director of business and developer services, the maze of processes and forms risked dissuading businesses from setting roots in the city. In repairing the system, Spokane discovered a six-step process that can work to streamline other perplexing procedures—in their own offices or beyond.

STEP 1 Bring in Fresh Eyes
New to the job, Quintrall (and others) brought a fresh perspective to the permitting system; they asked questions about things that others had just accepted as truths. For example, the department had too many workarounds and silos, she says, making it difficult to serve customers. “You’d have to look in 72 different places, and often you didn’t have access to more than 3 of them,” Quintrall says.

STEP 2 Analyze the Details
Taking a project through the permitting process, the team documented every step involved, from who performed which tasks to what software was used. Every point in the process was an opportunity for error, and the team found a way to whittle out approximately 35 steps.

STEP 3 Gather Customer Opinion
To get the most insight, the team asked customers what they wanted and expected from the permitting process. Some of the most helpful opinions came from customers whose permits were rejected, according to Quintrall.

STEP 4 Look for Patterns
The team member who conducted the customer interviews analyzed the notes to look for commonalities. Simple things like returning phone calls stood out as obvious challenges in the process.

STEP 5 Rebuild the Process
Using all of the insight gained from the previous steps, the team devised a new, refined permitting system. By not performing redundant, almost pointless tasks, the staff got more work done and experienced less stress.

STEP 6 Check In, Again and Again
Now, when customers finish the permitting process, the department sends a questionnaire asking how the process went. They also plan on conducting another survey in the spring to benchmark their improvement over the old system. “Amazingly, we’re actually now getting unsolicited compliments,” Quintrall says, “which is really refreshing.”

For more information: www.spokanecity.org
Sharing Time

Redmond talks and listens to rein in benefit costs.

“As early as 2000, we saw that the cost curve on employee benefits was increasing at a rate we couldn’t sustain,” says Redmond Deputy City Administrator Jane Christenson. The city’s newly hired human resources director, Kerry Sievers, reinforced that concern following a thorough review of Redmond’s union contracts.

In response, the women helped the city set forth three key goals: (1) maintain the competitiveness of hiring packages, (2) ensure that dollars were allocated to maximize recruitment and retention, and (3) encourage employee participation in cost-containment efforts. Meeting those lofty objectives required what was then out-of-the-box thinking.

“At the time, many jurisdictions didn’t require employee premium cost-sharing. We were breaking new ground, and it was pretty rugged,” Sievers recalls. “Our thought was that if employees were sharing the cost, then they would have a vested interest in the cost-benefit equation.”

Redmond had been ahead of the curve before; 10 years earlier, the city had gone self-insured. But the initiative on cost-sharing has fostered a systemwide focus on containing unnecessary escalation of salary and benefit costs. Now, every economic item proposed during labor negotiations is costed out to determine whether it will maintain or enhance recruitment and retention efforts.

The Question

What is the no. 1 issue for you going into the next budget cycle?

ROB HILL
City Manager, Centralia

The biggest issue is maintaining existing levels of service with flat revenues and rising costs. New revenue is not a viable option, so internal and external consolidation seems the most feasible solution.

PATTY LENT
Mayor, Bremerton

We’re struggling with having enough revenue to deliver the level of service we have diligently tried to maintain during difficult economic times. I expect 2013 to be a turning point, but we are currently still right-sizing.

JOE GAVINSKI
City Manager, Moses Lake

The biggest issue for us is paying for pent-up capital projects. A large property taxpayer has chosen to appeal its tax assessment, which significantly alters the city’s revenue projections. This was a surprise to the city and may not be resolved for years.

PAT JOHNSON
Mayor, Buckley

Determining what our real core services are; we’re facing some really difficult decisions. One factor contributing to the shortfall is that we lost population in the latest census, so any distributions based on population have decreased accordingly.

Inheriting the Keys

A recent AWC member survey had 581 responses from across the state. Here’s a glimpse at what appears to be some imminent succession.

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>62%</td>
<td>62% of elected officials responding are over 60 years old</td>
</tr>
<tr>
<td>78%</td>
<td>78% of city staff responding are under 60 years old</td>
</tr>
<tr>
<td>57%</td>
<td>57% of city staff who responded plan to retire within 10 years</td>
</tr>
<tr>
<td>24%</td>
<td>24% of city staff who responded plan to retire within four years</td>
</tr>
<tr>
<td>36%</td>
<td>36% of elected respondents are currently retired</td>
</tr>
</tbody>
</table>

Source: Association of Washington Cities 2012 Member Survey
Police and Fire Interest Arbitration Statutes

41.56.430 Uniformed personnel — Legislative declaration
The intent and purpose of chapter 131, Laws of 1973 is to recognize that there exists a public policy in the state of Washington against strikes by uniformed personnel as a means of settling their labor disputes; that the uninterrupted and dedicated service of these classes of employees is vital to the welfare and public safety of the state of Washington; that to promote such dedicated and uninterrupted public service there should exist an effective and adequate alternative means of settling disputes.

41.56.465 Uniformed personnel — Interest arbitration panel — Determinations — Factors to be considered.
(1) In making its determination, the panel shall be mindful of the legislative purpose enumerated in RCW 41.56.430 and, as additional standards or guidelines to aid it in reaching a decision, the panel shall consider:
(a) The constitutional and statutory authority of the employer;
(b) Stipulations of the parties;
(c) The average consumer prices for goods and services, commonly known as the cost of living;
(d) Changes in any of the circumstances under (a) through (c) of this subsection during the pendency of the proceedings; and
(e) Such other factors, not confined to the factors under (a) through (d) of this subsection, that are normally or traditionally taken into consideration in the determination of wages, hours, and conditions of employment. For those employees listed in *RCW 41.56.030(7)(a) who are employed by the governing body of a city or town with a population of less than fifteen thousand, or a county with a population of less than seventy thousand, consideration must also be given to regional differences in the cost of living.

(2) For employees listed in *RCW 41.56.030(7)(e) through (h), the panel shall also consider a comparison of the wages, hours, and conditions of employment of personnel involved in the proceedings with the wages, hours, and conditions of employment of like personnel of like employers of similar size on the west coast of the United States.

(3) For employees listed in *RCW 41.56.030(7)(e) through (h), the panel shall also consider a comparison of the wages, hours, and conditions of employment of personnel involved in the proceedings with the wages, hours, and conditions of employment of like personnel of public fire departments of similar size on the west coast of the United States. However, when an adequate number of comparable employers exists within the state of Washington, other west coast employers may not be considered.

For more information: www.awcnet.org
TRAINING ESSENTIALS

AWC REGIONAL MEETINGS
SEPTEMBER–NOVEMBER
AWC CEO Mike McCarty and staff will lead interactive conversations in 12 different locations across the state from September through November. Find out about the recent City Trends report, key emerging issues, and AWC’s preliminary legislative priorities and expectations for 2013. Register now to reserve your place.

REGIONAL MEETINGS
September 26 Kent
October 4 Walla Walla
October 10 Ellensburg
October 11 Chewelah
October 17 Omak
October 18 Pullman
October 23 Longview
October 24 Bothell
October 25 Aberdeen
October 30 Bellingham

26TH ANNUAL HEALTHY WORKSITE SUMMIT
OCTOBER 16–17
Discover health solutions that work at this two-day conference in Lynnwood. Highlights include a panel discussion on how to reach the “unreachables,” a health care reform update, and tips for leveraging partnerships. AWC Trust members can register for the members-only pre-conference on the 16th.

ELECTED OFFICIALS SEMINARS THROUGHOUT OCTOBER
AWC is sponsoring noon webinars throughout October and into November. The hourlong sessions are taught by leading experts and are designed to provide you with solid information that you can immediately implement. October topics include:
• Legal considerations and practical tips regarding executive sessions
• Understanding utility rate setting
• Making effective change in your city—one step at a time
• Exploring quasi-judicial land use decision-making

For more information: www.awcnet.org

SEPTEMBER

SEPTMBER 1–31 Snohomish Festival of Pumpkins www.festivalofpumpkins.org
2-7 Everett Sausage Fest www.everettsausagefest.com
5-6, 12-13, 19-20 Oktoberfest Leavenworth www.leavenworthoktoberfest.com
7-10 Oysterfest Port Angeles www.crabfestival.org
12-14 Dungeness Crab & Seafood Festival Port Angeles www.crabfestival.org
13-14 Annual Cranberry Fair Long Beach & Ilwaco www.columbiapacificheritagemuseum.org
15-17 Catch the Crush Tri-Cities; www.wineyakimavalley.org
20-27 Annual Halloween Torchlight Parade Coupeville www.islandhistory.org

OCTOBER

OCTOBER 21-23 Fremont Oktoberfest Seattle; www.fremontoktoberfest.com
21-23 SE Spokane County Fair Rockford www.seaspokane CountyFair.org
21-23 Valleyfest Spokane Valley www.valleyfest.org
28-30 Great Prosser Balloon Rally www.prosserbaloonrally.org
29 Burlington Harvest Festival and Pumpkin Pitch www.ci.burlington.wa.us
30-31 Annual Haunted House Grandview www.grandviewwa.us
27-28 Haunted Depot and Train and Pumpkin Run Toppenish www.marysvillemerchants.com
27 Harlow Wine in the Rattlesnake Hills Zillah, Wapato, Granger; Sunnyside, Outlook; www.rattlesnakehills.com
27-28, 30-31 Annual Haunted House Grandview www.grandviewwa.us
20 Wellness Webinar: 50 ways to use your mini-grant
21 Candidate Forum SeaTac

2012 SEPTEMBER/OCTOBER
For more information:
www.wenatcheewa.gov

People’s Choice continued from page 5

essions to health insurance costs, we will not lay off any-
boby,’” Kuntz explains. “The unions weren’t too kind to
that. I got one ‘maybe,’ one ‘no,’ and one ‘hell, no!’ And
so we went and made budget cuts because we had to.”

In this struggle, Wenatchee isn’t alone. More than
40 percent of 1,690 local government administrators
who responded to Cobalt Community Research’s most
recent National Survey of Local Governments said they
expected revenues to decline in 2012, while uncertainty
about how to address runaway health care costs nearly
doubled, from 16 percent to 28 percent.

“In a very real way, local governments must choose if
they will pay for police, potholes, or pills,” says Cobalt
executive director William SaintAmour.

Of the Cobalt survey’s respondents, 25 percent said
they planned to increase employee insurance premiums,
deductibles, and copays to bring health care costs under
control. Only 40 percent said they paid 100 percent of
their employees’ health insurance premiums. Yet until
recently, Wenatchee, like many Washington cities, did
just that, paying each union employee’s entire premium
(and up to 90 percent of the premium for their families)
without requiring deductibles, a Cadillac plan that cost
the city $1,835.14 a month per employee (well above the
national average for state employees of $1,377.03).

In the weeks and months that followed Kuntz’s layoff
announcement, the city’s fi refighters union returned
to the bargaining table and agreed to a less expensive
plan requiring employees to pay a $250 deductible and
cover 10 percent of the health insurance premium (25
percent for dependents), saving the city $120,000 a
year. Along with other concessions, including overtime
limits, job-sharing, and early retirements, the depart-
ment lost two fi refighters instead of eight. Agreeing to
early retirements but not budging on health care, the
city’s police lost one uniformed offi cer and two others to
early retirement. Unwilling to pay more for health care
premiums, the American Federation of State, County
and Municipal Employees Local 846 received four pink
slips as promised, and in August the Wenatchee Valley
Museum & Cultural Center lost 3.5 of 5 staff positions.

The moral of this story?

“If your tax revenues stay consistent but the cost
of labor continues to rise, something has to happen,”
Kuntz says. “You have to be honest with your taxpayer
and say, ‘This is how much health insurance costs us,
and we can’t afford it anymore.’” —Ted Katauskas
What do you love about Tacoma? People here are down-to-earth and straight-forward; we are just unapologetically comfortable in our own skin. What I love about Tacoma is that there’s a place for everyone, whether you’re blue collar or green collar or white collar, and I think there’s just a sense of pride in community, in wanting to continue to improve our community.

Where exactly does your community need to improve? Like a lot of cities our size, we need to attract more private investment. We need to improve our public education system. We have good schools, but we need to do better so that families want to choose to buy property and live in Tacoma and not move to outlying areas. And we need to attract more jobs.

For a long time Tacoma managed to dodge the recession bullet, but now that’s changed. Like many cities, we’re facing significant budgetary challenges for the coming biennium, so we must make some very hard and unpopular decisions.
We’re going to look at everything from A to Z and ask, “Is this the most efficient way to do things?” We’re just trying to make sure, as we look at our scarce public dollars, that we’re using them to maximize the benefit to our community.

And what about benefits for your 3,200 employees? Are you looking at ways to save costs there? Elected officials often get into this conversation of, “Oh, employees need to pay more of the health care costs.” That’s only part of the equation. We should be asking why we are being charged so much for health care. We have to drive the cost of health care down, period. That’s where the real long-term cost savings are.

What’s your take on the widespread perception that public-sector retirement benefits are more generous than the private sector’s? You want to have a population of retirees who can afford to live comfortably, not necessarily lavishly, because that benefits everyone. Consumers with purchasing power are good for the economy. The conversation is, “How do we get there in government when your top priority is providing service to the public?”

But your city does get there, or at least tries to. Tacoma is one of three cities in Washington that have their own retirement system outside of PERS. Our system was established back in 1941 as a defined-benefit plan, and it’s doing very well. Usually you hear horror stories about unfunded liability. We tend to be in the 90s (in percent funded), which is pretty healthy, because we’ve been diligent about making contributions and increasing them when necessary.

And what does that system cost Tacoma? General Fund contributions for 2011 were about $21 million; 54 percent of that comes from us, and the rest comes from our employees. Our overall General Fund budget for the biennium is about $360 million.

How many retirees are currently getting pension checks from the city? We have about 3,000 active members, and we have about 1,900 people who are collecting benefits as retirees.

What’s the average benefit received? The goal here is 60 percent of your two highest years of service. The average annual benefit paid is $26,000. For life.

That’s not a bad deal. Compared to the state retirement system, what’s a plus and maybe a minus of Tacoma’s system? It may cost us a bit more to have our own retirement system, but at the same time we have more control over our ability to increase contributions when necessary.

How old are you now? I’m 49.

When will you retire? I think I’m probably going to work until I’m 70, as long as my health allows it. This is my first term as mayor, and I plan to run for reelection, so I plan to be here until at least 2016.

Fast-forward to 2033. What’s your life going to look like? My husband and I live in a small condo downtown, and I don’t imagine us ever living in a bigger space. We don’t need to have a huge mortgage and a huge place. It’s how we are managing our finances.

Will you still be going to council meetings? I’ll watch them on TV and write the occasional letter to the editor!
By the Numbers

Cityvision looks at how Tacoma uses its own retirement system to help manage finances.

### Population

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Tacoma residents</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>193,556</td>
</tr>
<tr>
<td>2010</td>
<td>198,397</td>
</tr>
</tbody>
</table>

### Ethnic Makeup

- 64.9% White
- 11.3% Hispanic or Latino (of any race)
- 11.2% Black/African American
- 8.2% Asian
- 1.8% Native American
- 1.2% Hawaiian or Pacific Islander
- 4.6% Other

### Growing Pension

- $42m 2011 contributions to Tacoma Employees’ Retirement System
- 54% comes from city
- 46% from employees

### People with the Plan

- 3,038 Active members
- 1,950 Benefit recipients
- 395 Deferred members

### Benefit Burden

<table>
<thead>
<tr>
<th>General Fund allocations</th>
<th>Police</th>
<th>Fire</th>
<th>Public Works</th>
<th>Library</th>
<th>Human Rights</th>
<th>Community Development</th>
<th>Municipal Court</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>36%</td>
<td>25%</td>
<td>8%</td>
<td>6%</td>
<td>4%</td>
<td>3%</td>
<td>2%</td>
<td>16%</td>
<td></td>
</tr>
</tbody>
</table>

### Head Count

- 3,668 Employees per 2007-09 revised budget
- 3,842 Employees per 2009-11 adopted budget
- 3,872 Employees per 2011-12 adopted budget

### Public Priorities

- 70% of General Fund expenditures for employee salaries and benefits
- 27.4% for supplies, services, and other charges
- 2.2% for capital outlay and debt service

All population data from the 2010 U.S. Census, unless otherwise indicated.

Source: City of Tacoma
PENSION PLAY

In July, the state Legislature moved to interrupt the cycle of “You must fund the plan”/“I can’t fund the plan” that has tracked PERS almost since its inception. In response, can city leaders avoid being villains—and in fact even be heroes? By Ted Katauskas
Renton Chief Administrative Officer Jay Covington, like his peers, faces a renewed pension funding challenge.
hat giant gasp heard across the state on July 25 was the collective shock of city managers and finance directors reacting to an announcement from the Washington Pension Funding Council. The news? Effective July 2013, Washington local governments collectively would be required to ante in an extra $320 million for the following two years—on top of existing pension obligations—to shore up the Public Employees Retirement System Plan 1, a.k.a. PERS 1.

On June 30, 2011, the date of the latest actuarial analysis, PERS 1 supported 53,264 retirees who received on average $21,624 a year. But it was $3.5 billion in the hole, with the state and local government each responsible for about half of the shortfall. This deficit—known in accounting circles as unfunded actuarial accrued liability—was hardly headline news, having bedeviled the plan since its postwar inception.

In the optimistic boom times of 1989, legislators embracing the cause of pension-funding reform had committed the state and local governments to an ambitious pay-down schedule that called for zeroing out the PERS 1 deficit by 2024. However, unforeseen economic calamities—namely, the post-9/11 stock-market meltdown and the Great Recession—made a hash of that plan. The Legislature suspended or reduced the state’s share of pension payments to stanch the flow of red ink in hemorrhaging biennial budgets, and it forced cities to do the same. Instead of filling the PERS 1 hole, everybody was digging it deeper. In 2009, as investment returns from the plan’s Commingled Trust Fund—which typically pumps money into PERS 1—plummeted to negative 22.8 percent (erasing gains of 21.3 percent that the fund had posted in 2007) and the unfunded liability deficit ballooned, the Legislature voted to push that 2024 payoff date into the future; the current estimate is full funding by 2025.

But with even that fluid deadline looming on the fiscal horizon, the Pension Funding Council, like a collections agent seeking double mortgage payments from an underwater homeowner with a drastically reduced income, came pounding on the door of city hall. For Washington cities, the 2013 PERS 1 increase couldn’t have come at a less opportune time.

“There’s a structural deficit, and almost every city’s got it.”

Lower property values matter because they lead to decreased property tax revenues. For Renton, 2013 is projected to bring the sharpest property-tax revenue decline since World War II, and possibly since the city’s incorporation in 1901.

“This is the first time this has happened in two generations,” Covington continues. “There’s a structural deficit, and almost every city’s got it. Property tax revenue increases are limited to 1 percent annually, and in our case property taxes generate 30 percent of our revenue. If you have 30 percent of your revenue limited to a 1 percent increase and your expenditures are going up by 2 to 4 percent, you have to make adjustments.”

Those adjustments inevitably will mean yet another round of reductions to Renton’s payroll, its largest expense. To balance its 2013 budget, the city plans to shed as many as 20 positions—most through attrition, but there will probably be layoffs as well—and no department will be spared, not police, fire, street maintenance, or other key positions that provide direct services to the public. Think of the 2013 PERS 1 surcharge as the tipping point in Renton’s structural deficit. Last year, the city paid $1.2 million in PERS pensions; in 2013, to pay down its share of
the PERS 1 unfunded liability, Renton’s PERS pension bill will climb to $1.7 million. Covington parses that extra $500,000 in terms of salaries: five firefighters, police officers, or street maintenance workers. Take your pick.

“PERS is an expenditure obligation that I have no control over, and those expenditures are increasing faster than the revenues that are coming in. So I have to cut expenditures somewhere,” Covington laments. “Still, as hard as this is, what would be even worse would be for the Legislature to say, ‘Let’s put off paying down the unfunded liability until 2016.’ … I say let the actuaries tell us what it’s going to take; let’s get in and fund it and plan for it; and let’s do away with all of the uncertainty.”

To gain perspective on PERS 1 pension woes, it’s helpful to check in with Steve Hill, director of the Washington Department of Retirement Systems. His agency oversees all eight systems and 16 separate plans that constitute the state’s public employee pension program, with $67 billion in assets (managed by the Washington State Investment Board) on behalf of 302,903 active members, 103,033 of whom receive monthly benefits.

“I have a little different view on all of this, so let me give you my view of history and how we got to where we are,” says Hill, who, before taking the helm of the state’s pension system four years ago, managed the human resources department at Weyerhaeuser.

As Hill tells the story, PERS 1, which the Legislature created in 1947, traces its roots to defined-benefit systems that were established nationwide during the postwar era, when employers in the public and private sectors created benefit programs that would reward employees for a lifetime of service with a guaranteed retirement income. A funding mechanism much like Social Security was established, requiring employers to funnel a percentage of an employee’s paycheck into a pool of capital that would be invested so as to yield dividends that would make the funds self-sustaining. (In the public sector, employees also were required to contribute a percentage of every paycheck.) One critical mistake made during the genesis of PERS 1 was the decision to give employees credit for past service, automatically saddling the fund with a deficit to account for years—and in some cases, decades—of employment during which no employer or employee contributions were made into the system.

“From the day it was birthed, PERS 1 had an unfunded liability,” Hill explains. “At the time, there was a long window to make it up, and if the Legislature had stepped up and dealt with it, it never would have been a problem.” A proactive Legislature could likewise have dealt with other flaws in the system added later, such as similarly unfunded cost-of-living adjustments.

Another foundational problem was that the plan allowed employees to retire at any age after 30 years of service, meaning that an employee hired out of college could retire at around age 50 and annually collect 60 percent of an average of his or her two highest years of pay, for life. And then in 1970, the Legislature consolidated a multitude of pension plans for police officers and

PENSION RETENTION
Q&A WITH THOMAS P. DINAPOLI

New York State Comptroller Thomas P. DiNapoli created a stir earlier this year with a controversial op-ed piece in Public Administration Review that cautioned against offering 401(k)-style savings plans to new public employees. DiNapoli tells Cityvision why fully funded pensions are ultimately in the best interest of cities, states, and the nation.

You opposed a legislative proposal in your state that would have offered new public employees a defined contribution, a 401(k) style of plan, instead of the state’s traditional defined-benefit pension plan. What’s wrong with 401(k) plans?

You saw what happened in 2008 and 2009: there were many people who were about to retire who only had that 401(k). It got wiped out, and they’re probably still working. … From a societal perspective, I think having more and more people with a less secure retirement after their working years is a risk. It’s a social risk in terms of quality of life for people. But for government, it’s also an economic risk. If people don’t have their own private savings, and if their 401(k)s aren’t working for them … where are they going to go? They’re going to go back to the government for support.

In other words, the government that defunds, or doesn’t fully fund, public pensions is shooting itself in the foot.

You need to look at the defined benefit not simply as a cost—obviously, there is a cost—but you also need to look at what the larger benefits to the community are in terms of the economic impact of this stable source of income for retired people.

You manage a $150 billion pension plan on behalf of more than 1 million public employees. What’s the impact of public pension payouts on your state’s economy?

We issue over $8 billion in pension benefits each year, and over $6 billion of that is money that’s staying in the state—money that’s being spent in the state. With the multiplier effect, we estimate that we get $9.5 billion in annual economic activity.

continued on page 19
firefighters that had been administered by municipalities into a single state-run plan—the Law Enforcement Officers’ and Fire Fighters’ Retirement System Plan 1, a.k.a. LEOFF 1—assuming yet another unfunded pension obligation that also added for-life medical care to the mix, a financial liability that ultimately would be borne by cities. (See “Bearing the Care,” below.)

The state’s pension system was headed toward a financial cliff, but then two things happened that Hill credits with its salvation. First, in 1976 the Legislature established the Department of Retirement Systems to administer all of the state’s pension plans, and it appointed an actuary to provide pension cost estimates that would guide future funding decisions. A common pension system allows public employees to move across several types of government while keeping their pension benefit levels. Smaller jurisdictions that may have significant revenue constraints in their ability to hire employees do not have the additional barrier of managing and funding their own pension systems.

Second, recognizing that the original iterations of PERS and LEOFF were unsustainable, in 1977 the Legislature closed both plans to new members and created PERS 2 and LEOFF 2, establishing a minimum retirement age and, in the case of LEOFF 2, removing the medical benefits provision.

“Whoever had the foresight a long time ago to consolidate the administration and investment and plan design for all of the pension plans in the state, except for the three Class A cities … we are really fortunate that we did that,” says Hill, who cites the cautionary example of California, which allows counties and cities to negotiate individual pension plans with varying benefits and payment schedules and, as a result of these inefficiencies and other problems, remains only 78 percent funded. “If you’re in PERS 2 in this state, whether you work for the City of Kent or Snohomish County or a local water district, you have the same benefits package. And I think that was a really smart thing to do.”

Meanwhile in the private sector, particularly with the growth of a high-tech industry that cultivated an increasingly transient workforce, defined-benefit pensions designed to reward decades of service were replaced by defined contribution—style 401(k) plans that employees could pay into, manage themselves, and take with them as they moved from job to job. At that time, public employers were struggling to retain or attract high-tech and other high-demand employees because they could not provide competitive salaries. One recruitment tool for governments was their defined-benefit plans. Then along came 9/11 and the Great Recession, which slashed private-sector pay and decimated the value of 401(k) nest eggs.

Suddenly, the defined-benefit pension plans enjoyed by public employees became a lightning rod for pension reform, targeted as a too-generous relic of the past. Legislatures around the country have found themselves scrambling to funnel new public employees into defined-contribution plans; in Washington, PERS 3, a hybrid plan unveiled in 2002, couples a traditional state-managed defined-benefit pension plan (where the retirement benefit is half that of PERS 2) with a 401(k)-style plan into which employees can invest up to 15 percent of their paychecks. Yet Hill, in the company of prominent pension-system managers like New York State’s Thomas DiNapoli (see “Pension Retention,” page 17), remains wedded to the old-school, defined-benefit public pension plan.

“For people who put their lives into public service, I think it would be nice if they could have a comfortable retirement,” he says. “There’s a value system we place around it. I mean, do you really want someone to teach your kids for 40 years and then have to eat cat food for their meals?”

Social compact aside, Hill points to the economic impact that his retirement system has on the economy, both locally and statewide. According to Pensionomics 2012, an annual state-by-state
For people who put their lives into public service, it would be nice if they could have a comfortable retirement.

—STEVE HILL Washington Department of Retirement Systems Director

economic impact study by the National Institute for Retirement Security, in 2009 Washington's pension system paid a total of $2.8 billion to retirees, which generated $4.5 billion in economic output throughout the state and $201 million in state and local tax revenues.

“I would really like to maintain the defined-benefit plans,” Hill continues. “But they have to be well funded, you have to be adult about the way you fund them, you have to have a good investment process, and you cannot overpromise benefits. This isn’t so much a comment about this state, but if you cross the landscape of public pension plans, we’ve pretty much failed on all accounts. And in fact, in this state, for the last 10 years we have not done well on funding them.”

Even so, compared to other states, Washington’s pension system is remarkably healthy, consistently ranked among the top four best-funded systems in the nation. In “The Widening Gap,” a 2012 nationwide state-pension audit, the Pew Center on the States notes that only Wisconsin has a pension system that’s fully funded. Next come South Dakota and North Carolina, at 96 percent funded, followed by Washington (95 percent) and New York (94 percent). The report downgraded Washington’s pension system to “Needs Improvement,” noting: “Washington consistently failed to pay its full annual pension contribution between 2005 and 2010.”

That’s a critical shortcoming that Hill says must be addressed, sooner rather than later.

“City leaders should really be pleased that their employees are in such a solid system, but they also need to know that in order to make up for the shortfall that’s in PERS 1, they will be seeing increased rates over the next five to 10 years,” he stresses. “Continuing to fund the unfunded liability in Plan 1 that’s generated by pension benefits, and another $1.3 billion in the form of property tax that recipients pay.

And what about the social compact aspect of the equation? Keep in mind that the average person who’s collecting $25,000 a year has put in decades of service. This was a choice made a long time ago, and certainly when you go back 20 years or more, these public-sector jobs are often paid less, and the pension was an important reason to take the job. Today in the private sector, you don’t see the types of financial benefits that you saw in the past. Many of the employers that had defined-benefit plans have moved away from them. … There’s this dynamic now of the private-sector job being less appealing than the public-sector job.

Which prompts the question: why should public employees continue to reap benefits of generous pension packages unavailable to the majority of workers in the private sector?

It’s wrong to come at this by saying, “We should diminish what the public jobs get so we can bring everybody down to a lowest common denominator.”

Is there still a push to do away with defined benefits and push public-sector employees into a 401(k)-style plan?

There are always voices taking that position. The New York State Legislature was presented with a plan that would have provided as an option, not as a requirement. It was a very seductive proposal the way that it was set up; it would have encouraged many starting employees to go into it. Fortunately, the legislation that was adopted earlier this year gives the 401(k)-style plan as an option only for a small percentage of very high-salaried employees, so I think we had a big victory in knocking that piece of the proposal out. Still, I think some voices will continue to say about defined benefits, “We can’t afford this. Let’s not have it. We should take this away from the public-sector workforce.”

Is that what motivated you to write the op-ed piece? For a lot of folks that are believers in this plan, there certainly have been attacks going on nationally and within each state, and I think it was important to lend a voice and say, “Wait. Let’s take a deep breath here and look at the positives.” It’s important that we take the offensive and not always be on the defensive.

Any advice for officials and city administrators in the state of Washington?

Don’t take the easy way out by looking for a race to the bottom on retirement security and pensions. Tackle the tougher questions: What do we need to do to help healthy plans stay healthy and help plans that are in trouble? And what do we need to do for those in the private sector who don’t have this kind of retirement security?
will be a challenge. If the plan runs out of money, the state and local governments will still have to pay the benefits, and the money will come out of operating budgets instead of the pension fund. So it’s really important that we fund the liability.”

Still not convinced? Listen to the state actuary who ran the numbers and calculated the PERS 1 rates that cities will have to pay.

“Pension rates are going up, and obviously this is not coming at a great time as governments are struggling,” says Matt Smith. “It’s really the only way to close this gap because these are contractual obligations, and they just become more expensive over time if we defer funding today. . . . Overall, we are much better off than our peers. Still, that doesn’t mean that we have an easy way out.”

Perhaps no city manager understands this dilemma better than Renton’s Jay Covington.

“There’s certainly the temptation of short-term expediency: deferring the payment saves money in this biennium, and the Legislature often looks at that, but then they just end up creating a bigger problem for them and for us by kicking the can down the road,” he says. “Because the costs don’t go away. If you defer it now, it will never mean fewer costs later. It will only mean more.”

Nor will zeroing out the PERS 1 unfunded liability end the woes currently hobbling city and state government, stresses Covington, who points out that the PERS 1 kerfuffle is but the latest symptom masking an underlying, chronic civic illness that’s difficult for those in the business of governing to address.

“The question we should be asking is, ‘What is fair and just compensation for public-sector employees?’ It can’t be what it has been—that’s the reality,” Covington asserts. “At the same time, cities are having to reexamine the businesses we are in, asking, ‘What’s our primary responsibility to our citizens?’ Land use and public safety will always be key, and what makes cities livable is another critical priority. How do you balance all of that?”

With questions such as these, every city in the state is going to have to come up with answers best suited to its own people and its own priorities. Finding those answers won’t be easy, but it will have to happen—and, Covington urges, happen soon.

“Business as usual is absolutely unsustainable,” he says. “We’ve all got to look at a different way of doing stuff.”

---

**ALL ACCORDING TO THE PLAN**

**GREG CUOIO IS TOO MUCH** of a gentleman to say, “I told you so.”

But . . . back when he was still city manager of Lacey, the state announced that it was reducing pension contributions from, as he recalls it, 5 percent to 3 percent to help balance budgets. Cuoio predicted that future pension costs would have to be increased significantly to ensure the financial integrity of the system. To better prepare for that eventuality, he persuaded his council (and suggested to other city managers that they follow suit) to assess itself the amount it had been paying, send the state the lesser amount it had requested, and sock away the remainder in a reserve fund that the city could tap when the state inevitably mandated another pension payment increase.

“As a municipality we easily could have spent that pension savings to address budget challenges, but we knew in the near future that 3 percent would have to be 7 percent, 8 percent, or even 9 percent,” says Cuoio, who was one of the first members to enroll in PERS 2 when he went to work for the City of Kennewick in 1978. (He retired on July 1, 2011.) “I always thought it would be better to leave the pension system alone and just continue to fund it at a steady, level rate. If you have great years and revenues and investment incomes are significant, you set it aside and build a reserve fund. Then when you have these downturns, you’ll be better able to weather tough economic times.”

Sure enough, exactly a year after Cuoio retired, the Legislature announced that PERS pension rates would rise—to 9.03 percent. An increase of that magnitude still will be a stretch for Lacey, but the blow will be softened by the decision Cuoio made years ago. Not that he’s paying attention, because these days, in addition to the local boards he sits on and the community service he performs, the 63-year-old retiree is busy building the house in Lacey that he plans to grow old in with his wife—with help from the pension he’s collecting, which after 33 years of public service in Washington (and five more in Arizona) amounts to 66 percent of his former salary.

“Public employees who have a defined contribution and a PERS 2 pension in particular ought to consider themselves fortunate. I truly do,” says Cuoio. “I have been thoroughly enjoying myself: I just went hiking at Mount Rainier, last week I played two rounds of golf, I went salmon fishing, I’m playing with the grandkids, I’m doing odd jobs around the house, and we are building a new home. I am happy and content. And I’m blessed to have the pension system I have.”
Effective compensation systems require a lot of work. But since the lion’s share of municipal budgets goes toward personnel costs, the time required to have an effective compensation system is time well spent.
CityWise

TROY WOO, Finance Director, Lacey

WHEN LEAVES CHANGE COLOR

ACCOUNTING THE TRUE COST OF COMPENSATED EMPLOYEE ABSENCES

THE GOVERNMENTAL Accounting Standards Board (GASB) requires local governmental entities to account for compensated absences as liabilities at the time earned by the employee. Vacation is the most common compensated absence that may result in a future cash payout, but some organizations pay out sick leave balances. The reported liabilities need to include calculations for certain benefits such as Social Security and Medicare.

Some cities use cash basis reporting, rather than generally accepted accounting principles (GAAP). Government entities that comply with GAAP must value and report a liability for compensated absences, but there are other important considerations.

In practice, cities need to be aware that there are circumstances that can result in these liabilities having higher actual costs than the amount we report on our balance sheets. This liability could be higher if the employee chooses to use the leave benefit or cash out upon termination more than a year after the benefit was earned. Cost of living adjustments (COLAs) or salary step increases can cause the value of the leave benefit to increase from the time it was earned by the employee.

There is also the potential for a much higher cost. Many cities face minimum staff levels for safety purposes, especially within the police and fire departments, so overtime may be incurred when leave benefits are used. The overtime costs associated with coverage requirements can far exceed the cost increases associated with COLAs.

In addition, cities need to be aware of holiday benefit conversions to vacation leave. Using public safety as an example, holiday pay may be converted to vacation when employees are required to work holidays due to minimum staffing requirements. Holiday time conversion to vacation accrual at 1.5 times value. Minimum staffing requirements may result in holiday pay conversions to vacation at overtime rates.

Value of leaves can be far higher than it seems.

Understanding the true cost of leave benefits. During tough economic times, cities might be looking for low-cost methods of increasing employee benefits in lieu of COLAs or finding other ways to attract or retain employees. Be aware of the hidden or true costs of leave benefits before increasing leave benefits.

During these tough economic times, cities are struggling with the high costs of labor. Improving or increasing leave benefits might seem like a low-cost method to enhance employee compensation, but there are potential cost multipliers and challenges that cities must keep in mind. Some organizations may also be facing the challenge of attracting and retaining employees, so they might be considering improving employee benefits. But cities should be careful and try to fully understand the true cost of employee leave accruals before increasing the benefit.

Troy Woo has served as the City of Lacey’s finance director since 2009. His 20-plus year career has also included positions in Pullman and Spokane.

For more information: www.ci.lacey.wa.us
FAIR AND FAIR ALIKE

EFFECTIVE COMPENSATION SYSTEMS REQUIRE A LOT OF THOUGHTFUL GROUNDWORK.

WHEN IT COMES TO compensation systems, employees want two things: internal equity and external equity. External equity refers to the perception that one is paid fairly compared to employees with similar jobs in other organizations; internal equity refers to the perception that the organization’s compensation system is fair.

Perceptions of fairness are heavily influenced by the transparency of the compensation system. Compensation systems are more likely to be viewed as fair by employees when employees know how the value of a job is determined, how pay ranges are established, how one moves through the pay range, and how performance is measured for pay-for-performance systems. Employees want to know both what the rules are and that the rules will be followed consistently for everyone.

What can your organization do to address both internal and external equity? “Pay It Forward” (below) identifies 13 specific practices that can help provide a perception of fairness.

Should your organization have a structured compensation system? The answer is a definite “yes.” Organizations need structure both to provide a rationale for compensation decisions and to defend their decisions around compensation, especially for a pay-for-performance system. In addition to the steps listed in “Pay It Forward,” a merit pay or pay-for-performance system requires:

1) A valid way to measure performance. Valid, in this context, means job-related performance measures that can objectively identify different levels of performance.
2) Managers and supervisors who will give honest ratings, not high ratings so that most employees can get a larger pay increase. Ratings tend to be inflated; in a typical five-point evaluation system where 5 indicates “outstanding performance” and 4 indicates “exceeds expectations,” often 80 to 90 percent of employees are rated in these top two categories. Honest ratings, where the typical employee receives a 3, indicating “full performance” (or 2, “needs improvement,” or 1, “unsatisfactory”), take a lot of fortitude and discipline.
3) Adequate funding. Research indicates that a superior performer should receive a much higher pay increase than a full performer does. If the full performer earns a 3 percent merit award, for example, the outstanding performer should receive a 5 percent merit award.

Effective compensation systems require a lot of work. But since the lion’s share of municipal budgets goes toward personnel costs, the time required to have an effective compensation system is time well spent.

Pay It Forward
- Identify the goals of your compensation system.
- Identify the strengths and shortcomings of your current compensation system.
- Determine the role of merit pay/pay for performance in your system.
- Conduct a job evaluation to classify jobs into a hierarchy.
- Identify a benchmark job.
- Buy or create a salary survey and benefits survey. (AWC has a great salary survey that covers many of your positions.)
- Determine your market position: higher than market, at market, less than market.
- Establish the pay structure: pay grades and ranges.
- Identify rules for starting salaries.
- Identify rules for moving through the pay grade.
- Orient staff covering all aspects of the compensation system.
- Hold managers accountable to manage the system and give accurate ratings.
- Conduct biannual updates of salary and benefits information.

For more information: www.scontrino-powell.com
Three years ago, the Town of Coupeville decided to organize and sponsor a Central Whidbey Nonprofit Fair to recognize groups that provide so many needed services in the area. The town wanted to acknowledge nonprofits’ contributions to the town’s quality of life and the hundreds of thousands of dollars in economic activity that their missions generate in the local economy.

All nonprofits serving the area were invited to set up a free booth at the Coupeville Farmers Market in early September, nestled among the usual farm and craft booths. Participants were encouraged to bring program information, calendars of events, giveaways, and contact handouts, and they were allowed to sell tickets to their events, merchandise, and raffle tickets. (They were not allowed to sell food or crafts, so as to prevent conflicts with the regular vendors.)

For the first fair in 2010, 33 nonprofits signed up. All 33 returned in 2011, joined by three others, and still more were anticipated for 2012. Participating nonprofits have included environmental and educational groups, cultural and arts foundations, local festival associations, and youth and service groups.

In partnership with the local newspaper, The Whidbey Examiner, Coupeville developed and produced a companion resource guide listing contact information for all of the nonprofit groups that participated, to serve as a year-round reference for the community. The guide was distributed with the newspaper, published on the newspaper’s website, and distributed in overrun copies to the chamber, the library, and town hall.

For the second fair in 2011, the town added an educational component: one-hour classes on common problems faced by volunteer organizations—recruiting board members, purchasing insurance, and finding appropriate grant sources—devised in conjunction with and taught by three local business owners. Because of partnerships like these, Coupeville’s only hard costs for the fair are advertising—posters, media ads, and ads in the resource guide to thank business partners—and printing of the resource guide. Everyone who participated contributed their time on a volunteer basis, about 100 hours in all.

Participating nonprofits in past fairs report signing up new members and volunteers, adding to their donor lists, receiving donations, and selling tickets to their fundraising events. Most of all, they say they are happy to have the opportunity to interact with the community and spread the word about the services they provide. Some have even formed partnerships with their fellow nonprofits thanks to the fair, fostering community among those constantly dedicated to serving it.
SETTING THE TABLE

ELECTED OFFICIALS’ ROLE IN THE COLLECTIVE BARGAINING PROCESS

LABOR NEGOTIATIONS can be trying times for public agencies, and particularly for the elected officials who must make the policy and economic decisions reflected at the bargaining table. However, the nature of that oversight can have consequences for the process and the agency.

Personnel issues in general, and labor negotiations in particular, land in the “gray zone” between the legislative authority of elected councils and the administrative authority of city managers, independently elected mayors, or county executives. Determining how to give elected officials necessary input without overwhelming them with minutiae is one of the many challenges of bargaining in the public sector.

Setting parameters
Perhaps the most important role for elected officials is to outline for the agency’s negotiating team the financial commitments the agency is prepared to accept in a new collective bargaining agreement. This includes new salary-related costs as well as increased costs associated with insurance plans, operational changes, and agency-wide policy decisions. Without these parameters, the agency’s team arguably lacks authority to bargain with its unions.

The process generally works best if elected officials are presented early on with the management team’s priorities and expectations, discuss with the management team how negotiations affect the budget, and then provide input on the outcomes that are possible and appropriate. The elected body should be determining where the “finish line” lies, rather than formulating bargaining strategy. And it is critical that this entire process be kept highly confidential. Meetings, or portions of meetings, called to plan or formulate strategy for collective bargaining are exempt from the Open Public Meetings Act.

Being statespersons
Particularly in these challenging economic times, elected officials play an important role before and during the bargaining process in publicly articulating the agency’s priorities and budget strategy. An agency that has additional taxing authority, for example, but no plan to use it, may face pressure from unions at the bargaining table to use tax capacity so that it can provide enhanced wages. The bargaining team will be far better positioned to deal with such a push if elected officials have made clear that the agency must live within its means.

Maintaining a united front
Management teams need to speak with a single voice in labor negotiations, or they risk confusing employees and losing credibility/persuasive power. Whether at the table or away from it, elected officials who share their dissenting voice with employees, union leaders, or the public should be determining where the “finish line” lies, rather than formulating bargaining strategy. And it is critical that this entire process be kept highly confidential. Meetings, or portions of meetings, called to plan or formulate strategy for collective bargaining are exempt from the Open Public Meetings Act.

Elected officials’ presence can impact the ratification process. Just as management team members must follow fair labor practices and advocate for the tentative agreement, an involved elected official would be expected to vote in favor of the deal—and may be expected to deliver the votes of colleagues.

All information relating to negotiations should be treated as confidential, but elected officials often face intense political or social pressure to divulge information relating to the parties’ negotiation strategies.

In, or Out?
Elected officials’ direct participation in labor negotiations can present a number of potential problems, including:

- It is often more difficult to make policy decisions, such as calling for a reduction in force, for an elected official personally interacting with affected employees.
- Elected officials’ presence can dampen the free and open exchange of ideas essential to successful collective bargaining.
- Elected officials’ presence can impact the ratification process. Just as management team members must follow fair labor practices and advocate for the tentative agreement, an involved elected official would be expected to vote in favor of the deal—and may be expected to deliver the votes of colleagues.
- All information relating to negotiations should be treated as confidential, but elected officials often face intense political or social pressure to divulge information relating to the parties’ negotiation strategies.

For more information: www.summitlaw.com
can undermine their negotiators and encourage a “divide and conquer” strategy on the part of union representatives.

Avoiding the end run
Elected officials need to beware of the proverbial “end run” around the bargaining process. Union employees or negotiators who perceive that they have gained a sympathetic ear are often inclined to use access to an elected official to press for changes in the management position at the bargaining table. And, of course, if a union negotiating team hears “no” at the table, pressures an elected official, and later hears “yes,” the odds of that team accepting “no” from the management negotiators again in the future are quite low.

Prepare a short, simple statement that all elected officials can use to deflect direct appeals (e.g., “I appreciate your thoughts, but we believe that discussions of these topics need to occur at the bargaining table”).

Addressing employees’ concerted activity
While they have no right to strike, public-sector employees do have the right to engage in informational picketing and to show up in numbers at council or commission meetings. As a general matter, debates with employees over labor negotiations in a public forum do not advance negotiations toward a resolution. Keep order at public meetings and limit comments on the bargaining process to the expression of support for the process and a fair outcome for all concerned.

Ratification and implementation
As part of its legislative authority, the elected body has the ultimate role in approving negotiated agreements. While discussion of the substance and significance of the agreement can occur in a closed meeting, the actual ratification of the agreement is “action” appropriately taken in an open public meeting. Elected officials who participate at the bargaining table likely commit an unfair labor practice by voting against an agreement tentatively reached at the table, and they may risk an unfair labor practice charge by failing to bring along the votes of their colleagues.

Bargaining can be a bruising process. A public statement by the elected body acknowledging the effort of participants in the process and expressing approval of the finished product can be a surprisingly helpful gesture in moving the parties toward successful implementation.

Get an ROI on Employee Training
Aerospace Joint Apprenticeship Committee
www.ajactraining.org/ROI
206-764-7940
Thank you for the opportunity
to continue to serve your needs.

Seattle office
Phone: (206) 462-6700
Fax: (206) 462-6701
Toll Free: (800) 722-3815
WWW.PATTersonBUCHANAN.COM

Patterson Buchanan
Fobes Leitch & Kalzer, Inc., P.S.

Thank you for the opportunity
You were able to collect the money we were owed and our customer was happy with how they were treated”

Thank You!

“I don’t know how you do it.

Serving cities, counties, and courts, for 65 years

NO FEE Debt Collections – You receive 100%
NO FEE Credit Card Merchant Services
NO Paperwork – Instant Access to secure WEB portal to manage accounts plus 100s of Reports
Five “Local” offices in WA

800 949-2372 www.armadacorp.com

Proud to Support Breast Cancer Awareness

Sanitary Service Company
ssc-inc.com

RECYCLING & GARBAGE COLLECTION
Locally-owned & operated • Serving Bellingham & Whatcom County since 1929

5 Star EnviroStar • 100% Green Power • SmartTrips Employer
Decreased revenues and increased costs may create challenges, but they shouldn’t distract cities from cultivating community.

The Daffodil Fields of the early 20th century illustrate the plight of many workers struggling to persevere amid hard economic times and evolving workplace standards. Finding the ideal balance between worker well-being and economic prosperity was as difficult then, albeit with very different metrics, as it is now.

In our nation’s early years, politicians often avoided the issue, leaving the relatively unfettered free-market system to govern workplace practices. But the extraordinary economic tensions of the 1930s highlighted the imbalance of power between employers and employees. In 1935, Congress passed legislation recognizing and protecting the right of workers to join labor unions and establishing basic procedures for collective bargaining.

In the decades that followed, private-sector unions were joined by those representing federal, state, and local civil service workers. Employee-employer relations have made significant advances over the past 100 years that are important to preserve. However, the current downturn has brought economic tensions back to the surface and sparked debate about the relative workplace standards of the public and private sectors. Just like daffodil pickers with a full crate, city leaders need to refocus on the trait that will allow them to deliver for their constituents: balance.
The Nation’s Top-Ranked Bond Counsel Firm

Providing bond counsel services to cities and local governments throughout Washington.

Courtney Muraski 206-839-4438
Angela Trout 206-839-4341
Susan Barry 206-839-4345
Scott Schickli 206-839-4300
Doug Goe 206-839-4300
Bill Doyle 206-839-4300

For more information visit www.orrick.com/public_finance

Your dental plan through the AWC gives you access to the widest network of nearly 4,000 in network dentists.

The most choices to find your favorite dentist.

AWC IS IN

Washington Dental Service

Washington Dental Service is a member of the Delta Dental Plans Association.
Once again Foster Pepper’s municipal attorneys have been ranked top bond counsel in Washington State for 2011. But we are more than just bond counsel. We add value in other areas critical to a community’s success – because we know that the next decade is not just about building new projects, it’s about investing in the basics. From infrastructure to economic development, we can help you achieve your city’s goals within your means.