

August 1, 2020

Dear MEA Members:

I am writing to update you on the Municipal Executives Association's position on the Mayor's requested wage freeze for City employees.

The City is projecting a budget deficit in FY 20-21 of \$754 million and a total of \$1.5 billion over the upcoming two-year budget cycle. The deficit does not include assumptions for future benefits or risks such as the duration and intensity of COVID 19 to the public health, a slower or later recovery than assumed, and possible state or federal relief to cover COVID costs.

MEA has worked with the Public Employee Committee (PEC) in the past on various issues, including MOU proposals that impact all City employees. The central tenet of unionism is collective action. This principle has historically worked to MEA's benefit as well as to all those committed to working to better the working conditions of all City employees. While we are a management association, when we are collective bargaining, our action and motivations are those of a labor union.

Our CCSF/MTA MOU's are closed and do not expire until June 30, 2022. In order to engage in negotiations with the City on contractual issues, both sides must agree to open the MOUs. MEA is participating in the PEC, per the MEA Board's direction, and has committed to the PEC'S positions, to keep our MOUs closed and to hold the line in terms of no wage cuts, no layoffs and no furloughs.

The PEC is not taking this position in a vacuum. All unions negotiated off ramps in their MOUs that allow increases scheduled for July 1, 2020 and December 26, 2020 to be deferred for six months when the projected budget deficit exceeded \$200 million. The pandemic has caused devastating economic impact; however, the deferral of the July 1st wage increase of 3% to December 26 and .05% to June 30, 2021 is saving the City \$46.4 million. The MOUs also allow for similar wage deferrals in FY 21-22 which have been calculated to save the City an additional \$48 million.

The City has also carried numerous vacant positions which has placed an undue burden on employees carrying the workload of those positions. In just two of the PEC's bargaining units these vacancies represent an approximate annualized savings of \$526 million in this year alone. These vacancy "savings" are derived from Average Personnel – Salaries & Wages + Fringe Benefits Cost, AAO 2021-2022.

Both the City and the PEC agree that there is over \$1 billion in the City's reserve accounts. These accounts were created after the 2008 Great Recession for just this type of scenario. The City has agreed to spend down some of those reserves to help balance the budget and cover unexpected costs. However, based on the assumptions of future risks, the City intends to hold back \$500 million of those reserves.

It should be noted, that in the midst of this massive budget crisis, the Board of Supervisors has placed Charter Amendments on the November ballot that will split the Department of

Public Works into two separate departments, each with their own Commission; and create a Sheriff's Oversight Board and Office of Inspector General. These Amendment have been estimated to cost annually as follows:

- Sheriff's Oversight Board - \$400,000
- Office of the Inspector General - \$2 – 2.5 Million
- Department of Public Works and Streets and Sanitation - \$4 – 10 Million

See the Controller's Memos of June 27, 2020 to the SF Board of Supervisors

Additionally, the Mayor announced the redirection of \$120 Million of SF Police Department funds for repairing the legacy of racially disparate polices and economic outcomes for African Americans, funding of the SF Unified School District's support for students disparately impacted by the pandemic and programs for SF youth. All of these are worthwhile causes and in dire need of attention.

While it is clear that the economic hit to the City is real, what cannot be forgotten and must be acknowledged is that from the beginning of the COVID-19 outbreak, City workers have risked their health and safety on the front lines by continuing to come to work and agreeing to be deployed to alternate sites as needed. City employees have a long history of negotiated concessions and stepping up to the plate to do their part when called upon and will continue to do so. MEA managers have been working long hours on a continual basis as well as weekends during this period with no added compensation of either time or money beyond what was given to all other employees.

As noted previously, the PEC's position is no wage cuts, no layoffs, and no furloughs. The MEA Member Survey, which was taken by 40% of the membership, makes clear that our members overwhelmingly support job protection (80%) as the first priority and wage protection as the second most important.

While I recognize that as Manager's your first impulse is to do what you can to help the City as much as possible, we must remember that you also owe it to your fellow workers to stand together on this issue in order to achieve the best outcome for all.

