



## Board Report

**File #:** 2017-0522, **File Type:** Contract

**Agenda Number:** 48

### REGULAR BOARD MEETING JULY 27, 2017

**SUBJECT: COLLECTIVE BARGAINING AGREEMENTS**

**ACTION: AUTHORIZE THE CHIEF EXECUTIVE OFFICER TO EXECUTE SUCCESSOR COLLECTIVE BARGAINING AGREEMENTS AND AMEND THE FY18 BUDGET**

#### **RECOMMENDATION**

AUTHORIZE the Chief Executive Officer to:

- A. EXECUTE a successor collective bargaining agreement with the International Brotherhood of Teamsters Union (Teamsters), effective July 1, 2017;
- B. EXECUTE a successor collective bargaining agreement with the American Federation of state, County and Municipal Employees Union (AFSCME), effective July 1, 2017;
- C. EXECUTE a successor collective bargaining agreement with the Transportation Communications Union (TCU), effective July 1, 2017;
- D. EXECUTE a successor collective bargaining agreement with the Amalgamated Transit Union (ATU) Local 1277, effective July 1, 2017, subject to Union ratification;
- E. EXECUTE a successor collective bargaining agreement with the Sheet, Metal, Air, Rail and Transportation Union (SMART), effective July 1, 2017, subject to Union ratification;
- F. ESTABLISH the merit pool increase for non-contract employees at 3.5% for FY18; and
- G. AMEND the FY18 budget in the amount of \$36,435,476 for the implementation of the wage and benefit changes for the approval of the final collective bargaining agreements and \$7,391,598 for the increase in the merit pool for non-contract employees.

#### **ISSUE**

As of June 29, 2017 Metro reached tentative agreements with all five Labor Unions, ATU, AFSCME, SMART, TEAMSTERS, and TCU on successor labor agreements for a term of five years, effective July 1, 2017 to June 30, 2022. The five labor unions represent our bus and rail operators, maintenance workers, clerks, bus and rail transportation and maintenance supervisors, customer service agents, custodians, and security officers.

The Teamsters membership ratified their tentative agreement on July 6, 2017. AFSCME members ratified their tentative agreement on July 8, 2017. TCU members ratified their tentative agreement on July 13, 2017. The tentative agreement for SMART was presented to its members on July 8<sup>th</sup> and is pending Union ratification on July 25, 2017. The tentative agreement for ATU was presented to its members on July 10<sup>th</sup> and is pending Union ratification on July 26, 2017. These five new labor agreements are now being presented to the Board for approval, subject to Union ratification. The related budget impact of the agreements and the requested non-contract merit pool amendment increase the FY18 budget by 0.7%.

## **BACKGROUND**

Staff prepared for the contract negotiations beginning over a year ago. Staff conducted workshops for Labor and Management to come together and explore ridership trends, security within our system and public/private partnerships. These workshops allowed both parties to learn about each other's interests and most importantly, our joint interests.

The preparation for contract negotiations left both parties with a clear vision of the direction Metro is heading and a path to making meaningful contributions to our future. Prior to beginning formal negotiations, the following principles were identified to guide our work at the bargaining tables:

- The **users of our services and the taxpayers** within LA County are our key stakeholders. It is excellence in service and support that they have come to expect and that they deserve.
- We understand that our **workforce is essential** to our ability to deliver excellence in service and support.
- Our labor agreements provide the framework for our commitments to each other. The agreements include the guidelines, the work rules and the acknowledgement of **our joint interests and our respective interests**.
- It is our intent to negotiate our agreements in good faith, to build a **stronger organization and to be financially prudent and good stewards of taxpayer dollars**.
- We commit to **honoring our agreements** and to be transparent in our efforts to lead LA Metro into the future of our industry.

## **DISCUSSION**

Negotiations with Union leadership began in January. Through collaboration of the Union Leadership and Metro Management/Negotiating Team, for the first time all five union contracts were successfully negotiated before the contract expiration and for a five-year term.

### **Work Rule Benefits**

Working within the principles above, Staff set goals for the outcomes of the negotiations, during the 72 days of bargaining.

### **Health and Safety**

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*Goal - Metro is interested in exploring how we can incentivize a healthier workplace with reductions in accidents/injuries and time loss.*

Metro gained contract provisions to support our joint interests in employee well-being. Our goal is that this work will produce a reduction of 2%-3% in absenteeism. Staff engaged in several workshops on Wellness and gained support to further explore a gain-sharing model to incentivize a reduction in accidents and injuries. In addition, Metro negotiated measures to increase customer safety with additional prep time and processes and replacement of safety equipment.

### **Career Development**

*Goal - Our goal is to better define training programs with agreed-upon standards, timeframes and processes.*

Metro gained contract provisions to assist in addressing our high risk of retirements (*Currently 26.5% of employees are eligible to retire with up to 48% of supervisors being eligible*). Staff also gained opportunities for the transfer of institutional knowledge given the retirement risk will increase to 45% in the out years of the contract. Our goal is to minimize disruptions within the workplace as we transition to fill anticipated vacancies. The cost of a new hire is between \$25,000 and \$100,000. Our focus is to increase internal promotions in an effort to reduce costs and build on institutional knowledge, while realizing the career pathways of the organization.

### **Workforce Needs**

*Goal - To ensure that we have the capacity to meet our business needs.*

Metro gained contract provisions to assist in resolving issues in a timely manner, increased productivity and to optimize the use of contractors for urgent business needs. Staff worked to limit leave accruals and gained equal participation on ATU's Grievance Resolution Committee. Union members are currently using 40 days per year for leaves, resulting in 15% absenteeism. A reduction of 1% in lost time will result in the gain of \$8,000,000 per year in productivity.

### **Customer Focused**

*Goal - To create a framework that will guide how we will address customer expectations that will impact how we do our work and serve our customers.*

Metro gained contract provisions that recognize the business needs to maximize technology and innovative service delivery. Through the negotiation process, staff built stronger understanding of customer expectations and agreed to meet and confer on changes in service delivery models.

### **Wages and Benefits**

*Goal - To provide competitive total compensation packages that support the recruitment and retention of a high-performing workforce.*

Staff recommends salary and wages that are capped at 4.2% compounded annually over 5 years. Health and Welfare increases were held to 7.39% compounded annually.

Wages	# of Employees	FY18	FY19	FY20	FY21	FY22	Avg Annual Compound Rate
ATU	2465	3.5%	4%	4%	4.5%	5%	4.2%
TCU	896	3.5%	4%	4%	4.5%	5%	4.2%
AFSCME	785	3.5%	4%	4%	4.5%	5%	4.2%
*Teamsters	159	3.25%	4%	4%	4.5%	5%	4.2%
**SMART	4897	3.0%	3.0%	3.0%	3.75%	5%	4.2%

\*Market equity increases within the pay bands resulted in lower annual increase in FY18

\*\* Progression decreased from 17 years to 10 years over the life of the contract.

### *Non-Represented Employees*

An average 3.5% merit increase is recommended for non-represented employees which would be distributed based on a merit based performance system.

### **DETERMINATION OF SAFETY IMPACT**

Approval of the collective bargaining agreements has a positive impact on safety due to the negotiated work rules related to safety.

### **FINANCIAL IMPACT**

At its May 2017 meeting, the Board adopted the FY18 budget with an assumption of wage/salary increases and health/welfare benefits for represented employees and non-represented employees are subject to separate board actions due to ongoing negotiations for collective bargaining agreements. Therefore, an amendment to the FY18 budget in the amount of \$43,827,074 is required to include these additional expenditures.

### Impact to Budget

Sources of funds will parallel the projects charged agency wide over the five year period, and will include operating and capital eligible funds encompassing sales tax, fares, federal, state and local funds.

### **ALTERNATIVES CONSIDERED**

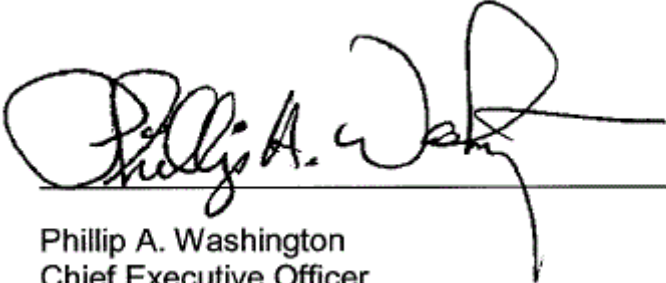
The Board may choose not to approve the new agreements. This option is not recommended as it would leave all contracts cancelled. Specifically, on June 30, 2017, all 5 of Metro's Collective Bargaining Agreements expired. Labor and Management bargained in good faith. These 5 agreements are the foundation of the commitments between Labor and Management for our nearly 9,200 represented employees.

### **NEXT STEPS**

Changes as agreed upon in the collective bargaining agreements will be implemented.

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