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August 3, 2015

Open Letter to Residents of the Menlo Park Fire Protection District:

In writing this letter, I do not speak for or represent the Menlo Park Fire Protection District ("District"). I am, nevertheless, a director of the District and have signed the letter accordingly because it fulfills my responsibility as an elected official to inform my constituency on matters that I believe are important to them. I have tried to verify the facts I cite here with District staff, but the opinions expressed are entirely my own.

The proposed contract between the District and its main labor union, the San Mateo County Firefighters (IAAF) Local 2400, has been released for review by the public. It is a difficult document to understand, but it merits your attention because it will impact the District's expense structure and policies--and, therefore, its level of service and taxpayer rates--for years to come.

Before addressing the contract, I want to express how proud I am of our District. We provide outstanding, professional services to our residents. Moreover, the District is and has been a regional leader in terms of providing emergency medical assistance and its pioneering of innovative services through such units as water rescue and federal Task Force 3. Our firefighters are well trained, and they consistently earn high praise from residents who have required their assistance.

At the same time, the District has several challenges that it must address in the next several years. It needs to upgrade its aging facilities. It need to purchase additional equipment, such as ladder trucks, so that they are available more quickly even when critical transportation routes are blocked. New equipment will also be needed to address increasingly tall commercial building and new industries with potential hazardous materials and conditions. It also needs to find either new routes or new equipment that can bypass our increasingly congested roads

during the four to six hours per day when they are clogged with commute traffic.

Though the District is well endowed with tax revenues, it will need to spend a great deal over the next 20 years to maintain its current response rates. Money spent unnecessarily on personnel will not be available in future years for other needs. Further, frustration with excessive compensation and benefits will rightfully discourage residents from approving bond issues and other means of financing these needs when they could have been obtained using existing resources that taxpayers feel have been squandered.

Notwithstanding my pride in the quality of service we offer, I will vote against the proposed contract. I believe it represents a terrible deal for residents and taxpayers because it:

1. Includes an excessive increase in compensation

The District has released information to the press indicating that "BASE compensation" will increase 18%. However, that figure is misleading insofar as it seriously understates the actual increase in TOTAL compensation.

From 2014-15 to 2017-18, total compensation for firefighters is projected by the District to increase 41% (from \$13,620,217 in 2014-15 to \$19,194,705 in 2017-18), four times the increase in the cost of living. During this same period, the Consumer Price Index ("CPI-U") is projected, according to the District's methodology, to increase only 10.8%. Even if one includes the entire period from 2008, the beginning of the period when the District claims falsely that firefighters did not receive an increase in compensation, the total increase in CPI-U is projected to increase only 25.3%, again using the District's methodology, which means that firefighter compensation is increasing—even from the most conservative perspective—at a rate that is more than 60% faster than the cost of living. For the majority of taxpayers, wages are increasing at a rate less than the cost of living.

In other words, total compensation will increase 41%, 60% higher than the cost of living even under the most generous assumption. The District's press release's figure of an 18% increase is, in my opinion, not an accurate representation.

2. Includes an excessive increase in benefits

In addition to compensation increases, the proposed contract includes substantial increases for benefits. For example, the entitlement to medical benefits will increase from \$1,100 to \$2000, an 82% increase. In the third year, it will increase another 10% to \$2,200.

An unusual provision (when compared to most employers) that will be formalized in this new contract is that any unused benefit amount—for example, for an employee electing single coverage—will be paid in CASH to the employee. According to IRS rules, that becomes compensation, which will increase the District's pension obligations.

Though I have objected to the "Cadillac" status of the medical plan, which under Obamacare legislation subjects the District to additional taxes, no changes were made to this benefit.

3. Ignores important pension reform opportunities

The District, like other public agencies, has seen increasing future obligations resulting from its CalPERS contract. It recently paid CalPERS \$12 million to keep its withholding rate below the 42% level that it was schedule to reach in the next year.

In 2013, the Public Employees' Pension Reform Act ("PEPRA") was passed at the state level that provides for a less expensive CalPERS plan for public safety workers that would still allow the District's firefighters to retire at age 60 and receive 75% of their annual compensation. (This compares to the current plan for new firefighters that allows them to retire at 55 and receive 90% of the compensation.)

Despite my efforts over the past two year, the District made no effort to institute this new PEPRA plans for new hires. At a recent board meeting, I made a last-ditch effort to at least discuss the matter before a contract was finalized; my motion failed for lack of a second.

4. Thwarts the purpose of the new "residency stipend"

I was one of the board members who proposed that the District provide raises for which it would receive something in return. One such proposal was the "residency stipend" that was intended to provide an incentive for emergency workers to live nearby, presumably paying a higher cost for housing, so that they would be available in emergency situations.

In its contract with AFSCME, its administrative employee union, the District required residency within 30 miles. That was greater than the 10 to 20 miles envisioned originally, but it promised to offer some benefits to the District. In the present IAAF contract, the distance has been increased to 60 miles, which largely defeats the intent of the stipend and certainly does not warrant an increment necessitated by a higher cost of local housing.

Instead of providing raises through the residency stipend, the District agreed to provide the residency stipend in addition to excessive raises. In other words, the stipend has become an extra raise, with the district receiving nothing in return. In a severe emergency, where transportation were disrupted, it would help little to have firefighters stranded in Petaluma, Stockton, and Salinas, all of which fall within the 60-mile radius of the District.

There is one more troublesome feature of the new residency stipend. The rationale for staff's increase of the board's original intent was that the 60-mile distance constituted a "one hour timeline to return to work." That would be true if firefighters were crows, but since they drive on freeways like the rest of us, they would have to drive along two vectors (east and north) to get to Stockton, a driving distance of 75 miles and substantially more than an hour's drive from the District. Similarly, no one can drive from Petaluma to Menlo Park in one hour, and there is the significant probability that the Golden Gate Bridge would be shut down, at least temporarily while it was being inspected.

In short, the board's original idea of increasing the benefit to the district has become a near-useless giveaway.

5. Incorporates overtime into pay for regular shifts

This contract will perpetuate the routine inclusion of overtime pay into regular schedules and regular compensation. Having regular schedules include overtime pay (at a 50% premium over the already very high rates) violates the common-sense meaning and purpose of overtime and results in the unnecessary payment of premium pay.

6. Does not include all firefighter compensation

Whether the District can afford the changes represented by this contract is unknown because it excludes a significant portion of firefighters, the chief officers who are not members of the union. There is a rule-of-thumb gap that should exist between officer compensation and rank-and-file compensation. With the substantial increase in compensation provided to union firefighters, it is certain that the board will be asked to increase officer compensation accordingly. Those changes have not been enumerated, calculated, or included in any of the figures reviewed by the board of directors.

These changes will no doubt affect benefit and pension costs, as well as compensation. Since the rule-of-thumb numbers are already known, these figures could have and should have been considered before finalizing negotiations with the union. However, either intentionally or unintentionally, the District's staff has preferred to consider the impacts of the new contract in a piecemeal fashion. In turn, the Board has failed to demand a holistic view of the changes it is considering.

Compensation in the District will need to increase even further, beyond that of the firefighters. The District's non-union employees will also require excessive increases as a matter of "fairness."

7. Establishes a troublesome precedent for union intrusion into management rights

The new contract requires the District to add a fourth firefighter to the crew on the ladder truck. The union argues that a fourth person is needed for safety, but as a practical matter the truck is never dispatched alone,

meaning that at least six firefighters will always be available on the scene of an emergency.

Staffing levels have previously been the prerogative of District management. That will end with the approval of this new contract. This is especially troublesome because the findings of the District's recent "Standards of Cover" study indicate that a second, and possibly a third, ladder truck will be needed in the District as response time suffer due to increasing traffic from new development. The extra cost of staffing the existing ladder truck has been included in the calculation of the increased costs of compensation (#1, above). However, the additional \$250,000 per year for staffing a second ladder truck has not been included.

To the extent that these higher costs reduce the District's willingness or ability to obtain a second or third ladder truck, District residents will be less safe as a result of the new contract.

#### 8. Violates our community values

"Fire science" has become a true science. Prevention efforts as well as investigative techniques all benefit from an educated workforce. As the concept of emergency services has been expanded to include hazardous materials (especially in our Silicon Valley environment), toxic waste, medical treatment, epidemic management, and flood control, the benefits of higher education become more and more apparent.

I am told that less than 10% of employees have bachelor's degrees. If someone does have a degree, that person is paid a *premium* for the additional education over and above the \$100,000-\$200,000 compensation earned by virtually every firefighter.

When compared to the compensation and benefits of teachers and other service workers, not to mention normal residents in a variety of fields, the District's overly generous compensation, benefits, and pensions make a mockery of the things we say we believe in. It is not fair or reasonable to tax our residents making less money in fields requiring more education and training to pay for this excess. This is especially true for me, an educator, who is well aware

of what we are paying teachers and child care workers in our area.

The argument that we cannot find qualified employees for less money is not supported by the facts. When the district recently began accepting applications for upcoming positions, it received the maximum of 300 applications in a matter of hours.

9. Ignores the capital needs of the District

The District lacks an updated long-term capital budget. The District's needs over the next four years for new and replacement capital items is unknown and their source is undetermined.

The District should not be committing funds for staff without knowing how much it will need for upcoming capital expenditures.

10. Results in no benefit for the District

While a contract with its largest union might be viewed as a benefit to the District, it is not clear how that results in better service to residents. The District has not shown one demonstrable, tangible benefit from having said, "Yes, yes, yes," to the demands of its firefighters.

Neighboring agencies will look at the District's increases and demand similar increases out of fairness. That, in turn, will increase the average compensation and benefits of emergency service workers, triggering more excessive increases in four years when the contract comes up for renewal. Because every agency aims to be "above average," the average keeps escalating at a rate that leads to more excess in an upward death spiral.

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The contract was the result of a very poor process on the part of the District. A series of negotiators were uninformed, inexperienced, and ill-suited for the negotiations. Furthermore, the board of directors failed to properly supervise the negotiations, kept no formal notes of the instructions given to negotiators, and did not appeal the two PERB rulings, which influenced the

negotiations to the detriment of the district. Finally, this will be the first time that the board members will have heard many of my objections to the contract even though I am chairman of the Finance Committee; that is because other members were in a rush to adjourn to their summer vacations when the contract was first presented to them and they permitted less than one hour for its review, most of which was spent with statements of mutual admiration. I was permitted to ask only one question during the closed session, which informed staff that some of the references within the contract were erroneous. I shall have more to say about the process in a subsequent communication.

In sum, the proposed contract is unfair to taxpayers and excessively costly, and it provides nothing of significant benefit to residents. What can a concerned resident do about the matter? There is a board election coming up in November. A concerned resident could decide to vote for candidates who oppose the contract. If there are no candidates who oppose the contract, then we need look no further than a mirror to identify those responsible for the increasing costs of public services.

Yours truly,

Charles D. Bernstein, Director  
Menlo Park Fire Protection District