

Second Report to Taxpayers—Firefighter Negotiations & Capping Property Taxes

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In the summer of 2017, after nearly six months of bargaining, the Streator Firefighters' union terminated collective bargaining, and later walked away from negotiations with a mediator. The city has been trying to get them back to the bargaining table ever since.

Simultaneously, the Illinois General Assembly has been ignoring the issue of pension reform and the need to reign-in the costs of public safety pension benefits and workers compensation. Local city leaders in Illinois, however, have not been complacent. Several cities have advanced proposals to make sure their governments are not pushed into insolvency by skyrocketing pension costs.

In Alton, Illinois the City Council decided that the only way out of their pension dilemma was to sell its entire sewer collection and treatment system to Illinois American Water (the same water company serving Streator) to raise money to pay for public safety pensions—even though such a move would result in sewer rate increases.

In Danville, Illinois the City Council decided to add a “pension fee” to monthly sewer and garbage bills. Earlier this year, the city of Harvey, Illinois (with one of the highest property tax rates in the State) laid-off half their police and fire departments so they can afford to pay pension mandates. Ted Dabrowski, of wirepoints.com (a government watchdog agency), believes the only way out of the local fire and police pension problem is to allow cities to declare bankruptcy (treating pensioners as unsecured creditors) and to amend the Illinois Constitution to allow reductions in pension benefit levels for both current employees and retirees.

None of the policy options listed above are favored by the Streator City Council at this time.

Streator has ***always*** funded its police and fire pensions as recommended by its actuaries; but still these pension funds fall behind because the state legislature keeps changing benefit levels, and because poor investment returns by the local fire pension fund add to the liability shifted to property tax payers. So what should be done?

The Mayor and City Council believe that gradual measures are needed now to avoid radical, crisis-driven measures in the future. The city of Streator's proposal is less disruptive, and still fair to both taxpayers and firefighters. The city's approach can hopefully avoid the need for the extreme measures deployed in Harvey, Alton and other Illinois cities that are straining to meet ever-higher fire and police pension demands.

The city of Streator's proposal is to use a limited number of trained and certified part-time public safety (police and fire) employees and to add them gradually as normal attrition, retirements and resignations occur—always retaining union full-timers as the majority of a shift. This results in pension reform because fewer people will enter the pension system over the long term. ***This change has no negative impact on any current employees or retirees; it does not reduce the pensions of current employees, or impact other benefits (except that union members will get a little less overtime); and it does not reduce overall staffing levels. A full-time public safety officer can cost \$50,000 to \$60,000 per year just for pension, insurance and workers compensation costs, before a single dollar of salary is paid. These are the costs the city must reduce to control tax rates.***

The Associated Fire Fighters of Illinois (the union's lobbying organization) has made this kind of transition very difficult for cities to achieve by pushing special legislation intended to block city councils from “substituting” full-time firefighters, because any kind of substitution would result in fewer full-time union members. Accordingly, an administrative law judge recently ruled that even

with fully trained and certified part-time fire fighters, the city cannot even bargain (discuss) this topic, much less implement it through normal negotiations, unless the union first grants its “permission” to bargain on the topic.

So, on May 3, the city asked for “permission” from the fire union to discuss this pension reform strategy. On May 15, the local fire union president, Kurt Snow, rejected the city’s request, meaning the union would not even discuss it. At the same meeting, the city asked the union if they had any alternative strategies for preventing fire pensions from exploding local taxes—since they do not like the ideas advanced by the city. They had none; Mr. Snow said they would wait on the State legislature to provide any new reforms.* In fact, the fire union has not made a single pension reform proposal in 16 months of local negotiations—other than to suggest raising taxes.

Streator has the highest property taxes in LaSalle County, so the City Council has adopted a policy of no property and sales tax increases. The City Council hopes to continue this policy, now in its fourth year, and eventually provide property tax *reductions* to stimulate more economic activity, because the council knows that excessive property taxes depress economic development. Without some kind of pension reform, this City Council policy is now in jeopardy.

The city has pursued collective bargaining solutions with its fire fighters in good faith, but the door has been repeatedly closed by the union—and taxpayers are the losers. So on May 29, the city informed the fire union that it will gradually remove code enforcement and some other functions from the Fire Department.** This means that the city will begin transferring code enforcement, and other duties as practical, to entities outside the Fire Department, and by doing so reduce the full-time manning needs of the department (and simultaneously the pension, insurance, overtime and workers compensation costs). Manning levels in city departments have always been a policy decision made by the elected City Council—until 2012 when the Associated Fire Fighters of Illinois got a special interest bill through the legislature dictating that firefighter manning levels were no longer something local elected officials should decide, but rather should be subject to the whims of collective bargaining and arbitration.

The City Council still has the right to shift certain duties out of its service departments, and then set staffing levels. The city would prefer to discuss the implications of changes in the Fire Department through good faith collective bargaining, but current law allows the fire union to refuse discussions on the topic of using qualified part-time firefighters. As a consequence, the city is forced to pursue other ways to reduce its overall employee costs, including alternative service delivery strategies.

Pensions constitute more than 55% of the Streator property tax levy. But this unsustainable trend is not just a Streator problem. This crisis will not go away just because special interest unions don’t want to talk about it. In Peoria, 85% of the local property tax levy goes to pensions, and in Springfield it is more than 95%, which means less money is left over after paying public safety pensions to pay for other city services. The Streator City Council is committed to not allowing the local tax situation to get worse—so reform is needed now.

“It is unfortunate that after thirty years of gradually giving firefighters more responsibilities for code enforcement and EMS-back-up (to offset significant decreases in the number of actual fire calls), we now have to start reassigning some of these duties just to control skyrocketing pension and benefit costs,” said Mayor Jimmie Lansford; “but to protect local taxpayers from more property and sales tax increases, we have to move in this direction. The city’s gradual strategy not only results in no loss of benefits for current or former public safety employees,” the Mayor added, “it can be achieved without reducing services (the services may just be performed by someone else). It is now time for our firefighters to do what is in the best interests of Streator, and the solvency of their own pension fund, and not what is in the interests of the Associated Fire Fighters of Illinois.”

* There are NO fire or police union proposals in the Illinois General Assembly for pension reform. The only pension reform proposal is one advanced by the Illinois Municipal League to combine the public safety pension funds and/or fold the 650 independent local fire and police pensions into the Illinois Municipal Retirement Fund, which consistently outperforms every fire and police pension fund in the State; but the public safety unions are opposed to this reform. Between 2009 and 2016 the Streator Fire Pension Fund returned an average of 1.69% per year on their pension assets. During the same period the Illinois Municipal Retirement Fund returned 8.8% on their assets, and last year they returned more than 15%. The higher the investment returns, the less the strain on local property taxes.

** In Section 6.8 of the Streator fire fighters' union contract it says "[minimum shift manning] shall only continue so long as the bargaining unit continues to perform code enforcement duties pursuant to Article 17.5 of this agreement. In the event that code enforcement duties are eliminated, the shift manning requirement of this article shall also be eliminated."