



Chief Executive Office.

COUNTY OF LOS ANGELES

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Joseph M. Nicchitta

February 9, 2026

To: Supervisor Hilda L. Solis, Chair
Supervisor Holly J. Mitchell, Chair Pro Tem
Supervisor Lindsey P. Horvath
Supervisor Janice Hahn
Supervisor Kathryn Barger

From: Joseph M. Nicchitta *Amicus*
Acting Chief Executive Officer

MANDATORY ARBITRATION (RELATES TO ITEM NO. 16, AGENDA OF FEBRUARY 10, 2026)

Earlier this year, union representatives notified me that they had begun the signature gathering process to place a measure on the November 2026 ballot. The proposed ballot measure would establish a binding arbitration framework for specified labor disputes. The measure would apply to labor organizations that represent bargaining units covering Fire Fighters, Deputy Sheriffs, District Attorney Investigators, Deputy Medical Examiners, County Lifeguards, their supervisors, and non-administrative civilian employees working in the Fire Department, Sheriff's Department, and the Department of the Medical Examiner.

For these covered employee organizations, the measure would remove the existing mediation and fact-finding process under the Employee Relations Ordinance for negotiation impasses and instead require binding arbitration for unresolved disputes or controversies pertaining to wages, hours, and other terms and conditions of employment. Arbitration would exclude matters uniquely within the jurisdiction of a fringe benefits Memorandum of Understanding (MOU).

Every three years, the County negotiates with its labor unions to agree on, among other things, Cost-Of-Living Adjustments (COLAs) and other economic and non-economic benefits. COLAs are carefully negotiated to balance the County's ability to pay and overall financial health with the needs of our departments to recruit and retain



"To Enrich Lives Through Effective And Caring Service"

employees and provide fair compensation and benefits for County workers. Because it is a balance, neither the County nor our labor partners get everything they want. Labor agreements are a compromise.

Under the proposed ballot measure, any of the covered bargaining units could declare they are unable to reach agreement on a labor deal and send the negotiations to a panel of non-elected arbitrators (the panel includes one partisan union representative, one partisan management representative, and one neutral representative) to decide the appropriate COLAs, wages, and other employment conditions. The arbitrators' decisions will be binding on your Board, even if your Board disagrees with the decisions, and regardless of whether the decision requires your Board to redirect funding from your policy priorities or safety net services to pay for the arbitrators' decision. Because the arbitrators "pick a winner" as between the parties' final offers, the decision will no longer be a compromise. One side will win.

Salaries and salary-dependent employee benefits, such as retirement and deferred compensation, represent the single largest investment the County makes each year. In Fiscal Year 2025-26, the County has budgeted \$20.8 billion for salaries and employee benefits. Substantial raises and other economic benefits mandated by arbitrators could, among other things, materially and detrimentally increase the County's day-to-day operating costs, lead to workforce reductions and program curtailments, balloon our unfunded pension liabilities, and damage the County's credit ratings. These impacts could happen with a single arbitration decision or could compound over multiple decisions.

The risks of mandatory arbitration are not hypothetical. Voter-approved mandatory arbitration has caused significant financial disruption and even prompted bankruptcy for cities in California and other parts of the country. Attached are two articles representative of the risks.

Against this backdrop, Item No.16 on your Board's February 10, 2026, agenda includes a motion that would direct County Counsel to prepare a charter amendment requiring binding arbitration for successor MOU with specified bargaining units whose members include public safety employees and civilian employees working in public safety departments. If your Board adopts the motion, County Counsel will return to your Board on March 3, 2026, with the intent for your Board to direct that the charter amendment be placed on the November 3, 2026, general election ballot for consideration by the voters.

The motion prescribes a narrower version of the proposed ballot measure for which union representatives are gathering signatures. The charter amendment described in the motion would reduce the number of bargaining units and employees covered by mandatory arbitration and limit the applicability of mandatory arbitration to successor MOUs, among other things.

My office has closely reviewed the motion, and we recommend that the proposed charter amendment include the following additional procedural and financial protections:

- **Clarifying and Limiting the Scope of Matters Covered:** As drafted, the motion provides that binding arbitration would apply to disputes arising from the renewal of successor MOUs covering “wages, hours, and other terms and conditions of employment.” The charter amendment scope should be narrowed to apply only to the economic components of successor MOU negotiations and should not extend to non-economic provisions, term changes, contract interpretation, or grievance matters.
- **Procedural Protections:** As drafted, the motion allows either party to invoke binding arbitration without establishing the existence of an impasse, which could discourage continued bargaining and lead to premature arbitration. To preserve good-faith negotiations and reduce unnecessary escalation, a neutral third party should certify assess whether the parties are at impasse and, if necessary, require mediation before arbitration proceeds. Requiring mediation and other opportunities to reach a compromise agreement would reduce the risk of a “winner take all” award.
- **Financial Protections:** As drafted, the motion does not require arbitrators to work from the County’s financial projections or comply with the County’s existing budget policies or generally-accepted public finance and accounting standards. Without these safeguards, an arbitration award could impose costs that undermine the County’s fiscal stability, including impacts to reserves and creditworthiness, and upend the ability to fund Board policy priorities. The proposed charter amendment should require that any award be consistent with the County Charter, County Code, and duly adopted Board budgeting policies, and grounded in accepted governmental finance principles. In addition, the proposed charter amendment should limit an arbitrator’s authority to impose obligations beyond the standard successor MOU term, to avoid binding the County to long-term financial commitments without future bargaining flexibility.
- **Review and Revision:** As drafted, the motion does not include a process to evaluate or revise the arbitration framework if it produces harmful fiscal or operational impacts over time. A requirement should be added to conduct regular reviews of arbitration outcomes (e.g., every five years). If awards are found to adversely affect the County’s fiscal stability or ability to deliver mandated services, the measure should provide a clear mechanism for adjustment to ensure the process remains sustainable and accountable.

- **Implementation Date:** As drafted, this new dispute resolution process could become applicable during an ongoing bargaining cycle with public safety labor partners. We recommend that binding arbitration take effect only prospectively, beginning with the next successor MOU cycle in 2028, to avoid disrupting active negotiations and to better align with the County's forthcoming governance changes under Measure G.
- **Sunset Date:** The proposed charter amendment should include a sunset date, allowing the voters to decide whether an extension is in their best interest based on prior practice.
- **Court Review:** The parties should be able to request court review of any arbitration award to ensure it conforms to the provisions of the ballot measure. The parties should not be bound by arbitration awards that are arbitrary, capricious, or contain clear errors.
- **Fiscal Emergencies:** Your Board should retain the ability to override an arbitration award or to suspend the applicability of the charter amendment during Board-declared fiscal emergencies.
- **Management Rights:** The proposed charter amendment should explicitly state that other management rights are not impacted, including the right to reduce programming and staff, and to approve workforce reductions as necessary.

We recommend that your Board direct County Counsel to incorporate the above safeguards into the draft charter amendment to balance the rights of labor with the County's duty to safeguard its financial health and the delivery of safety net services. Additionally, my office will continue to meet with the covered bargaining units to discuss opportunities to implement the above safeguards in a mutually agreeable manner.

JMN:JG:LKW

Attachment

c: Executive Office, Board of Supervisors
County Counsel

Council hopping over cop pay hike

With sales tax increases at risk, members want power over pay

 PATRICK HORNE

APRIL 10, 2008



SLO City's Council members Christine Mulholland and Paul Brown are not natural ideological soulmates; they vote at odds with each other on most controversial topics.

Yet they're united in outrage over a settlement that will grant SLO City's roughly 45 police officers immediate lump-sum windfalls of about \$50,000 each, along with ongoing raises to 2009 that will push the average officer's income from the city to more than \$100,000—a level Brown called "CEO pay."

The pay hikes were granted by an arbitrator, and City Council members don't have any further say in the matter. They're hoping people will get mad enough about the pay to give them back the ultimate power to negotiate with police and firefighter unions.

The deal granted police officers a series of retroactive raises to the end of 2005, when their last contract expired. That money will be paid all at once. In addition, the typical officer will receive a 27 percent raise to reach a 2009 salary of \$93,000. It will reach more than \$107,000 with normal overtime.

The way arbitration works, the arbitrator can't select a middle ground—he or she must side with either the city or the union. In this case Oakland-based arbitrator Matthew Goldberg sided with the union on most significant compensation issues, opting to set the pay at 85 percent of the average level police receive in a survey of cities, ranging from Santa Barbara to Monterey. He sided with the city on health insurance issues and a handful of others.

Dale Strobridge, of the San Luis Police Officers Association, called the deal fair, saying it will help retain police officers and keep the force competitive with other agencies.

But the settlement will immediately cost the city \$5.8 million for the lump-sum payments (\$4.4 million more than the city had set aside for that purpose), and it will cost \$2.7 million per year after that, about \$900,000 more than the city was prepared for.

Mulholland said the settlement will decimate the city's budget and eat up about half of the funds gathered through a recent sales-tax increase, Measure Y, which voters were told would go to specific purposes such as street improvements and acquiring open spaces.

Instead, she said, most of those goals will be again on hold. "We're going to be cutting right now," she said. Indeed, the city's Chief Administrative Officer Ken Hampian said, in a press release, that the city next month will consider measures ranging from hiring and travel "chills" to budget reductions and the use of reserves.

The council didn't have final say in the matter because city voters passed a ballot measure in 2000 that allowed police and fire fighters to take their concerns to binding arbitration. This is the first time it has been invoked. Although the 2000 measure had opponents—the SLO Chamber, for example and the entire council—it was passed based on the argument that it provided fairness to police and fire fighters, because they are legally prohibited from striking.

Mulholland, for one, would like to see that measure turned back, through another citizen initiative. Her argument? "We don't have trouble recruiting police officers!" she said emphatically in a recent interview.

The arbitrator found the same thing, noting in his report "While recruitment does not appear to be a problem now, at least for sworn officers, it may well become one in the future."

Leaders of the town of Vallejo, the California city that sought bankruptcy protection in May, cited a similar initiative there as one of the reasons for its budget problems. Voters approved binding arbitration there after a 1970s police strike. City leaders there are pushing a measure to get rid of binding arbitration.

Brown said the council could push to put the measure on the ballot, but it wouldn't be appropriate; he said it would be better if citizens led the plan.

"The public voted for it; the public needs to take it away if they don't like it."

Brown said he supported Measure Y, over the objections of fellow fiscal conservatives, because he felt it would accomplish major city goals.

"I'm all about taking care of the guys," said Brown, a former military police officer. "I get it. I want to make sure we have highly motivated people doing that job. But the process sucks. And it is not in the best interest of the city to make that huge leap all at once."

City Council Member Andrew Carter said in an e-mail that he also supports the repeal.

He noted that the police deal could potentially cost the city millions more than estimated, because supervisors will have to receive raises, too. He's also concerned that the deal will lead firefighters to pursue binding arbitration in the future.

Strobridge said he's not surprised council members plan to push to overturn the measure but he said he's particularly disappointed in Brown's words since Brown had expressed support for binding arbitration in past elections when the union backed him.

He added that if there's a push for a repeal, the police will be ready to argue their side.

Binding Arbitration Has Hurt, Not Helped, Struggling Cities

Investor's Business Daily

December 4th, 2013

In the last five years, fiscal troubles in places like Vallejo, Calif., Detroit and Scranton, Pa., have focused attention on high government employee costs, especially from retirement programs that aren't properly funded.

But behind the crushing outlays that these and some other distressed cities have faced is another feature of modern municipal government — binding arbitration.

This mediation tool, which allows unelected arbitrators to decide employee contract matters when negotiations between unions and government break down, sometimes has resulted in big compensation awards that cities can't afford.

So controversial has arbitration become that at least one formerly bankrupt city has repealed it, and a number of states have modified their arbitration practices to restrain the judgments.

Binding arbitration emerged and spread rapidly during the 1970s, largely as a reaction against strikes by public workers. States and cities rushed to outlaw or limit work stoppages by government employees, and many places simultaneously put in place proceedings to resolve contract disputes.

By 1977 alone, some two dozen states had enacted some form of binding arbitration. Over time, however, lobbying by public employees helped shape arbitration laws in their favor.

In some places, such as Michigan, the law didn't require an independent mediator to take into account a city's fiscal condition when rendering an award, prompting unrealistic judgments.

In other places, including New Jersey, arbitrators were told to pattern judgments after similar contracts in bordering communities, sometimes producing big salary increases to workers in moderate-income municipalities surrounded by richer ones.

Michigan was one of the earliest states to craft an arbitration law, thanks to the efforts in 1969 of former labor organizer turned politician Coleman Young. He quickly discovered the shortcomings of the law when Detroit voters elected him mayor four years later, just as the city's budget began reeling from an economic downturn.

Amid stagnant revenues, arbitration panels granted Detroit workers generous cost-of-living increases. The size of the judgments contributed to a fiscal pinch that prompted steep layoffs, including some 1,500 police officers just as crime was rising in Detroit.

By 1981 Young complained: "Slowly, inexorably, compulsory arbitration destroys sensible fiscal management." While arbitration alone didn't undo Detroit, decades of rulings in favor of workers undermined finances to the point that in 2006 the Detroit News urged officials, including then-Michigan Gov. Jennifer Granholm, to "demand that the Legislature repeal the binding arbitration law."

Vallejo became the first California municipality to enact arbitration, passing the law in 1970. While arbitrators occasionally awarded unions with big raises over the years, the straw that helped break the city's back came in September 2007, when a mediator ruled that Vallejo could not cut the size of its fire department even though it faced a fiscal emergency.

Binding Arbitration Has Hurt, Not Helped, Struggling Cities

Locked into high employee costs and unable to reduce its workforce, the city filed bankruptcy eight months later. In June 2010, Vallejo voters, intensely aware of the role that arbitration played in Vallejo's fiscal demise, amended the city charter to eliminate it. "Binding interest arbitration was a nightmare for Vallejo," wrote city councilwoman Marti Brown in a recent op-ed in the Sacramento Bee.

Now Scranton faces default and possible bankruptcy. The struggling Pennsylvania city is part of a state-run program to aid distressed cities.

Nonetheless, two years ago the state's Supreme Court ruled that, despite Scranton's status as a troubled city, it was not exempt from an arbitrator's ruling that overturned a city freeze on police and fire salaries. The court ordered the city to pay public safety workers a whopping \$17 million in back pay.

Last year Scranton faced a cash crunch that at one point left it with just \$5,000 in the bank, and the city temporarily suspended some payments on some of its bonds, hurting its credit rating. Since then, Scranton has been unsuccessful in securing a loan to pay the arbitration award, and now a judge has ruled that the city's unions can begin seizing city assets.

Moody's recently warned investors that the city's fiscal woes could drive it into bankruptcy. Meanwhile, Scranton's mayor has proposed increasing property taxes a whopping 50% to address the crisis.

Arbitration awards have also helped fuel pension problems. A series of rulings by an arbitrator in San Jose, Calif., helped send that city's pension costs soaring from \$73 million in 2002 to \$250 million last year.

In two rulings spanning 10 years, for instance, an arbitrator decided that San Jose must increase initial pensions for public safety workers from 75% to 90% of final salary. The arbitrator even made the increase retroactive, so it applied to every current worker.

"Out-of-control costs are why we can't keep all of our libraries, community centers and swimming pools open," Mayor Chuck Reed has said. "Many of these costs are the result of big pay and benefit increases awarded to our public safety unions by outside arbitrators."

Some states have begun reforming arbitration. In 2011, Michigan Gov. Rick Snyder signed legislation that requires an arbitrator to take into consideration a city's ability to pay. New Jersey has gone further, putting a 2% cap on all arbitration awards.

America's municipalities are facing unprecedented fiscal pressures.

Binding arbitration often forces officials elected by the people to cede control to an unelected administrator.

Sometimes the results are disastrous.