



DATE: June 26, 2018

TO: Mayor and City Council

FROM: Director of Human Resources

SUBJECT: Resolution Approving the Memoranda of Understanding between the City of Hayward and the Service Employees International Union Local 1021 Maintenance, Clerical and Related Bargaining Units and Authorizing Staff to Execute the Agreements

RECOMMENDATION

That the City Council adopts the attached Resolution approving the memoranda of understanding between the City of Hayward and the Services Employees International Union Local 1021 Maintenance and Clerical (“SEIU”) bargaining units for the period of July 1, 2018 through June 30, 2021.

SUMMARY

The current memoranda of understanding (“MOU”) with SEIU will expire on June 30, 2018. The attached Resolution will allow staff to execute successor agreements with SEIU for the Clerical and Maintenance units for the term of July 1, 2018 through June 30, 2021. The new agreements will grant both units salary and benefit adjustments, an equity study for specific classifications in the Maintenance group, and other benefits, some of which include employees contributing an additional half percent (0.5%) towards the employer’s retirement cost for a total contribution of five percent (5%), adding bilingual pay for written language skills, an increase to educational reimbursement, and health and wellness reimbursement for part-time employees. The new contracts also include administrative and legal language updates.

If approved, the proposed MOU will result in a General Fund savings of approximately \$605,000 when compared to the budget model for the FY 2019 – FY 2021.

BACKGROUND

The City of Hayward continues to face challenges balancing its General Fund budget. While the City is experiencing moderate growth in many of its key General Fund revenues such as Property Tax and Sales Tax, employee benefit costs, such as pension and healthcare benefits, continue to grow at significant rates. It is even more challenging for cities to fund ongoing

operations and services to the communities they serve while continuing to provide their employees with a sustainable retirement and quality healthcare benefit options.

The City has worked hard to continue to provide quality services to its community and preserve employee benefits while taking significant steps towards attaining fiscal sustainability. This includes partnering with employees who have committed to helping address the City's structural budget deficit by reducing expenses related to salaries and benefits. Contributions to date have included waiving salary increases and sharing the cost of benefits including retirement and health insurance. To continue on the path of fiscal sustainability, in October 2017 during the Fiscal Sustainability Work Session, the Council identified a number of budget balancing strategies and directed staff to explore potential revenue enhancements while partnering with City labor groups to address the increasing costs of employee benefits and other strategies to reduce total personnel costs.

The City entered negotiations with SEIU in March 2018. Over the last three years, SEIU has collaborated with the City to achieve savings associated with salaries and benefits. In its last contract, employees agreed to contribute an additional four and a half percent (4.5%) towards retirement costs and continue with twenty percent (20%) contributions for dental insurance premiums and fifty percent (50%) contribution for vision insurance premiums. Additionally, the City and SEIU agreed to cap the cost of medical insurance, linking the City's maximum contribution to the Kaiser plan, at each employees' enrollment level. The proposed MOUs reflect a continued commitment to addressing the City's structural budget deficit and offsetting increased costs associated with healthcare and retirement. The agreement also provides for a total compensation equity study comparing certain positions in Utilities that the City has experienced difficulty recruiting for and/or retaining talented individuals to similar positions in "Special Districts." This is essential to the City being able to attract and retain highly qualified employees and develop succession plans for continuity of service in this highly competitive and in demand career field.

DISCUSSION

The proposed changes negotiated in the successor MOU continue the current contributions to dental and vision plans, and the cost sharing arrangement in the form of continued contribution toward the Employer's share of retirement costs, with an increase of 0.5% in January 2021.

The City's budget model for the 3-year period (FY 2019-FY 2021) has an assumption of 2% increases in cost of living adjustments for each of the fiscal years. City negotiators proposed to achieve savings by offering employees cash in lieu of a cost of living adjustment ("COLA") and delaying cost of living adjustments to later years. Cash in lieu of COLAs allows for savings because one-time payments do not permanently increase employees' base wages, which would increase other payroll expenses for the City, such as overtime costs and increased pension obligations. Additionally, more personnel cost savings will result from delayed increases. COLAs for both groups have been delayed for twelve (12) months, but will be phased in every six months for a total of 8.5% over the three-year period. The projected

savings from the cash in lieu and delayed COLA increases is approximately \$605,000. The table below summarize the key proposed changes:

MOU Term	Proposed Language	Effective Date
Salaries and One-Time Cash	FY 2019 - \$1,600 cash-in-lieu (pro-rated for part-time employees by FTE)	July 1, 2018
	FY 2020 - 2% COLA	July 1, 2019
	FY 2021 - 2% COLA	July 1, 2020
	FY 2021 - 4.5% COLA	January 1, 2021
Defined Benefit Retirement Program	Employees will pay an additional 0.5% of the employer PERS contribution for a total of 5%	January 1, 2021
	City will amend PERS contract to allow employees to receive PERS credit for their contributions on the employer's behalf	January 1, 2019
Equity Study	<p>Survey will include special districts for positions in Utility and Environmental Services Dept. Survey excludes positions that received an adjustment as a result of the 2016 equity study.</p> <p>Classifications 4%+ below the median of surveyed jurisdictions (after accounting for COLAs) will receive equity adjustments not to exceed 12% in 2 installments not to exceed 6%.</p>	<p>Begin bidding and selection process by: <u>January 1, 2019</u></p> <p>Equity adjustment #1: <u>January 1, 2020</u></p> <p>Equity Adjustment #2: <u>January 1, 2021</u></p>
Payment for Unused Sick Leave	Employees hired after May 1, 2014 who have (1) a sick leave balance of 400+ hours and (2) have used fewer than 32 hours of sick leave in each year shall be eligible to receive 16 hours of vacation leave added to their leave bank by March 31.	July 1, 2018
Bilingual Pay	Allows for up to \$100 per pay period for written language skills.	July 1, 2018
Educational Reimbursement	Increases amount for entire unit to \$10,000	July 1, 2018
Health and Wellness	Part-time employees will be eligible to receive \$25 per month	July 1, 2018
Night Shift Differential	Increases swing shift differential to \$1.60 per hour and night shift differential to \$2.00 per hour	July 1, 2018
Heavy Equipment Repair Differential (Maint Unit)	0.915% of pay that was rolled in for Equipment Mechanic I and II will be rolled out. Equipment Mechanic I and II will receive 5% differential for repairing heavy equipment explicitly listed in the Section.	July 1, 2018

MOU Term	Proposed Language	Effective Date
Distribution Cert. Differential (Maint Unit)	For D-3 or higher Added Utilities Maintenance Mechanic and Utility Leader to list of eligible positions.	July 1, 2018
Lead/Sr. Differential Pay (Maint Unit)	Adds Sr. Equipment Mechanic to the list of eligible classifications	July 1, 2018
Library Pages (Clerical Unit)	Eligible for Health and Wellness under MOU Bilingual pay increased to \$30 per pay period for positions budgeted at 0.30 or greater.	July 1, 2018

FISCAL IMPACT

The total proposed changes result in an estimated net savings of approximately \$605,000 in comparison to projections in the General Fund budget model for the three-year period (FY 2019-FY 2021). Equity adjustments are estimated at a cost of \$700,000 for positions funded in the Enterprise Fund. The net overall cost of the contract (including both the General Fund and Enterprise Funds) to the City is approximately \$95,000 for the three-year contract period.

STRATEGIC INITIATIVES

This agenda item is a routine operational item and does not relate to one of the Council's Strategic Initiatives.

NEXT STEPS

If adopted, Human Resources staff will finalize the agreements and work with the Finance Department to implement the above changes.

Prepared by: Vanessa Lopez, Senior Human Resources Analyst

Recommended by: Nina S. Collins, Director of Human Resources

Approved by:



Kelly McAdoo, City Manager