



**DATE:** November 19, 2024

**TO:** Mayor and City Council

**FROM:** Director of Human Resources

**SUBJECT:** Adopt a Resolution to Execute a Side Letter of Agreement Amending the Memoranda of Understanding (MOU), Section 5.13 C - Retiree Medical Trust between the City of Hayward ("City") and the Hayward Fire Chief's Association (HFCA), to Amend Employee Contributions

### **RECOMMENDATION**

That the Council adopts the resolution (Attachment II) for the side letter of agreement amending the HFCA MOU, Section 5.13 C - Retiree Medical Trust provision between the City and HFCA, to set the employee contribution amount for HCFA employees at one percent (1%) of Step E Fire Captain to align with International Association of Firefighters (IAFF) - Local 1909 and Hayward Fire Officers Association (HFOA).

### **BACKGROUND AND SUMMARY**

The City negotiated with IAFF, HFOA, and HFCA to establish MOUs which included the Medical Expense Reimbursement Plan (MERP). The HFCA MERP mandatory employee contribution rate was set at one percent (1%) of the monthly base pay of Step E Deputy Fire Chief [fifty-six (56) hours], plus an additional contribution based on years of service. This contractual agreement has created an unintentional impact for HFCA employees, as the HFCA mandatory employee contribution rate was set higher than the IAFF and HFOA whose contributions are based on one percent (1%) of Step E Fire Captain. These conflicting contribution rates are not allowable per Internal Revenue Service (IRS) non-discrimination rules for Highly Compensated Employees.

As a result, the City and the HFCA have met and conferred on the matter and entered into this Side Letter of Agreement to amend MOU language with respect to the MERP to ensure compliance with IRS guidelines. This side letter will set the employee contribution rate for HCFA employees at one percent (1%) of Step E Fire Captain to align with the other two bargaining units participating in the MERP.

## **DISCUSSION**

The City and the Union have met and discussed in good faith and agree to amend Article 5.13 C - Retiree Medical Trust for the duration of the term for the period of July 1, 2024, through June 30, 2029.

Effective July 1, 2024, Article 5.13 C – Retiree Medical Trust shall be amended as set forth to align the employee contribution amount to one percent (1%) of the monthly base pay of Step E Fire Captain (fifty-six (56) hours) per month, plus an additional contribution based on years of service in accordance with Table C-1 (Attachment I) on a pre-tax basis. This amendment meets the standard of compliance per IRS guidelines. Moreover, the City and Union mutually agree to this Side Letter of Agreement and that it will be incorporated by reference to the current MOU and run with succeeding MOUs, unless incorporated into the body of future agreements.

This agreement shall be effective immediately upon City Council approval and shall remain in effect for the duration of the current MOU contract dates (July 1, 2024 through June 30, 2029), and until otherwise specified by the parties.

## **FISCAL IMPACT**

The proposed changes will have no fiscal impact for the term of the contract (FY 2024-2029).

## **STRATEGIC INITIATIVES**

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

## **NEXT STEPS**

Human Resources staff will work with Finance to update the existing employee contribution rate in the MUNIS system.

Prepared by: July Cole, Human Resources Manager

Recommended by: Brittney Frye, Director of Human Resources

Approved by:



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Dustin Claussen, Interim City Manager