



**DATE:** June 27, 2023

**TO:** Mayor and City Council

**FROM:** Director of Human Resources

**SUBJECT:** Adopt a Resolution Approving the Memoranda of Understanding between the City of Hayward and the International Association of Firefighters, Local 1909 and Authorizing Staff to Execute the Agreement

### **RECOMMENDATION**

That the City Council adopts a resolution (Attachment II) approving the Memoranda of Understanding (MOU) between the City of Hayward and the Hayward Firefighters, Local 1909 and authorizing staff to execute the agreement.

### **SUMMARY**

The current MOU with Hayward Firefighters, Local 1909 (“Local 1909”) expires on December 31, 2023. The attached resolution will allow staff to execute Memoranda of Understanding with Local 1909 that amends the current agreement beginning January 1, 2024, through December 31, 2029. The amendments allow for administrative and legal language updates and modest salary and benefit adjustments, resulting in additional General Fund expenditures of approximately \$7.92 million when compared to the budget model for the same five-year contract period (FY 2019 – FY 2024).

### **BACKGROUND**

The City of Hayward, like other cities throughout the nation, continues to be impacted by the economic inflation crisis and continues to face challenges with expenditure growth that is outpacing revenue growth in the General Fund budget. While the City is experiencing positive economic improvements in many of its key General Fund revenues, such as Property Tax and Sales Tax, the City continues to experience an unprecedented rise in employee benefit costs, particularly pension and healthcare costs. These increases will make it even more challenging for cities to fund ongoing operations and services to the communities we serve while continuing to provide our employees with sustainable retirement and quality healthcare benefit options.

The City of Hayward has worked hard to continue to provide quality services to the community and preserve employee benefits while taking significant steps toward attaining fiscal sustainability. This has included partnering with employees who have stepped up to help address the budget gap by reducing expenses related to salaries and benefits such as sharing the cost of benefits including retirement and medical.

The City entered into negotiations with Local 1909 in April 2023. Over the last five years, this group has acknowledged the need for reduced costs associated with salaries and benefits and contributed 6% of their earnings toward the City's share of retirement costs, saving nearly \$6.8 million in the General Fund over the contract period. The proposed agreement reflects a continued commitment to addressing the structural budget gap and offsetting increased costs of retirement and healthcare by establishing a Retiree Medical Trust fund in lieu of the supplemental retirement medical benefit previously established and including healthcare costs into the total compensation salary survey formula. The parties reached a tentative agreement on June 15, 2023, and the agreement was ratified by the bargaining unit members on June 16, 2023.

## **DISCUSSION**

Throughout the negotiations, both sides agreed that to address the growing inflation costs and budget gap, a continued partnership between the City and its employee groups is essential and success would be the result of compromise from both sides.

Benefit cost sharing will continue in the form of a 6% contribution toward the City's share of retirement costs and a 1% contribution to OPEB (Other Post Employment Benefits). The City currently contributes \$2,400 per year to the deferred compensation account for all PEPRA members and \$600 per year to the VEBA account of all members. The City is proposing to replace the current deferred compensation plan with a 401(a) plan and continue the annual contributions in the amount of \$2,400 with an increase of an additional \$600 for a total annual contribution of \$3,000 effective January 1, 2024 for all PEPRA members. Additionally, employees may use up to 120 hours of earned sick leave upon the birth or adoption of a child. Leave will run concurrently and in accordance with state and federal leave entitlement.

Another key part of the proposal is salary adjustments. The MOU for the contract period (FY 2024-FY 2029) calls for no COLA increases during the new contract term. Instead, the proposed MOU calls for salary adjustments to be made annually on the basis of the survey formula, with no cap on salary adjustments. The survey shall be completed by November 30<sup>th</sup> each year and shall include all salaries and benefits from survey agencies effective January 1 of each year of the adjustment and approved by the agency's board or council. If on July 1 of the year of the adjustment, any of the agencies in the survey reaches a settlement retroactive to January 1 thereby changing the average of the top 4 agencies, a one-time adjustment will be made to salaries to reflect the change within 3 months of July 1. Healthcare costs will now also be included as part of the total compensation formula, resulting in overall savings to the City during the MOU period.

Another major change to the MOU terms is the shift to participation in a separate Retiree Medical Trust in lieu of the supplemental retirement medical benefit (OPEB) previously established. The MOU establishes monthly employee contribution based on years of service and establishes monthly employer contribution to a combination of either Trust or 401(a) of \$508.30 based on years of service as outlined in the MOU. This also helps address the City's long-term financial sustainability by removing the OPEB unfunded liability associated with this prior benefit from the City's financial statements.

Other MOU changes are generally administrative and include language changes to reflect changes in law and policy. The table below summarizes the key proposed changes:

**Table 1: Key Proposed Changes**

MOU SECTION	PROPOSED CHANGE	EFFECTIVE DATE
1.04 – Dues Deductions and Service Fees Payments	Language changes in accordance with Janus decision	January 1, 2024
4.01 – Work Schedules	Codifying 2x4 work schedule language. Two consecutive 24-hour shifts (set) with four consecutive 24-hour days off between each set of shifts.	January 1, 2024 (Codified schedule change that was agreed to via previous side letter.)
4.05 – Minimum Staffing	Effective January 1, 2025, daily staffing shall consist of a minimum of 38 personnel and a combined total of 12 companies, and one specialized rescue squad.	January 1, 2025
6.02 – Other Benefits	Establish a 401(a) plan and replace the current annual deferred compensation city contribution of \$2,400.00 with an annual city contribution of \$3,000.00, effective January 1, 2024.	January 1, 2024
6.09 – Comprehensive Cancer Screening	Codify annual comprehensive cancer screening during the month of February with testing to be scheduled and completed while on duty	January 1, 2024
6.10 – Supplemental Retirement Benefits  6.11 – Other Post-Employment Benefits (OPEB)  6.12 – Retiree Medical Trust	Participate in Retiree Medical Trust in lieu of supplemental retirement benefit previously established; establish monthly employee contribution based on years of service; establish monthly employer contribution to a combination of either Trust or 401(a) of \$508.30 based on years of service as outlined in the MOU. During the term of this MOU only the City is to make lump sum contributions to certain qualified employees to reach a calculated benefit level of \$508.30/month.	January 1, 2024
7.12 – Salaries	Moving the survey from the effective date of July 1 to January 1 of each year; no cap on salary adjustments. Add health coverage to the total compensation	January 1, 2024

	formula.	
9.03 – Vacation Leave Transfer	Adding vacation transfer option. Up to 120 hours of accrued vacation leave can be transferred into the Retiree Trust account. Under qualifying circumstances, employees who are exempt from Trust contributions may receive cash payment for the vacation in lieu of transfer.	January 1, 2024
10.03 – Sick Leave Allowance	A new parent may use up to 120 hours of earned sick leave upon the birth or adoption of a child. Leave runs concurrently with FMLA/CFRA and must be used within one year of birth/placement.	January 1, 2024
10.07 – Payment for unused sick leave	Cleanup language only	January 1, 2024
10.08 – Conversion of Leave Balances	An employee who works a 56-hour work week assumes a 40-hour work shift, unused vacation and sick leave shall be adjusted by dividing the balances by a factor of one and four tenths (1.4). Conversely, a 40 hour per week employee who assumes a 56 hour per week job shall have their vacation and sick leave balances multiplied by a factor of one and four-tenths (1.4). This mirrors language from HFOA conversion. No substantive change	January 1, 2024
13.09 – Continuous Service Pay	Lowering 20 yrs. of service to 15 years (shall receive a 2% Continuous Service Pay). Lowering 30 yrs. of service to 25 yrs. (shall receive an additional 1% Continuous Service Pay).	January 1, 2024
19.00 – Duration	5-year contract term	January 1, 2024 – December 31, 2029

### **FISCAL IMPACT**

The proposed changes result in an estimated additional expenditure of approximately \$7.92 million in comparison to projections in the General Fund budget model over the MOU period (FY 2024-FY 2029).

### **STRATEGIC ROADMAP**

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

## **NEXT STEPS**

Staff will finalize the agreements and obtain the necessary review by the City Attorney and approval by the City Manager to execute them. HR will also work with Finance to implement the changes.

*Prepared by:* Brittney Frye, Director of Human Resources

*Recommended by:* Regina Youngblood, Assistant City Manager

Approved by:

A handwritten signature in black ink, appearing to read 'K. McAdoo', with a long horizontal stroke extending to the right.

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Kelly McAdoo, City Manager