



**DATE:** October 16, 2018

**TO:** Mayor and City Council

**FROM:** Director of Human Resources

**SUBJECT:** Resolution Approving the Memorandum of Understanding between the City of Hayward and the International Federation of Professional and Technical Engineers - Local 21 ("Local 21") and Authorizing Staff to Execute the Agreement

### **RECOMMENDATION**

That the City Council adopts the attached Resolution approving the memorandum of understanding between the City of Hayward and the International Federation of Professional and Technical Engineers, Local 21("IFPTE") bargaining unit for the period of July 1, 2018 through June 30, 2021.

### **SUMMARY**

The current memoranda of understanding ("MOU") with IFPTE expired on June 30, 2018. The attached Resolution will allow staff to execute a successor agreement with IFPTE for the term of July 1, 2018 through June 30, 2021. The new agreement will grant salary and benefit adjustments, an equity study for specific classifications, add bilingual pay for written language skills, increase educational reimbursement, and add health and wellness reimbursement for part-time employees. Other terms include delaying cost of living adjustments until October 1, 2019 and additional savings on medical insurance premiums for the City effective January 1, 2020. The new contract also includes administrative and legal language updates.

If approved, the proposed MOU will result in a General Fund savings of approximately \$268,000 over the contract period, in comparison to the budget model for 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 significant increases to employee benefit costs, such as pension and healthcare benefits, continue to outpace revenue growth. The employee benefit costs make it even more challenging for cities to fund ongoing operations and preserve services to

their communities while continuing to provide their employees with a sustainable retirement and quality healthcare benefit options.

The City has worked hard to continue to preserve both quality services to its community and 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 into negotiations with IFPTE in April 2018. Over the last three years, IFPTE has collaborated with the City to achieve savings associated with salaries and benefits. In its last contract, employees agreed to contribute an additional three percent (3.0%) towards retirement costs for a total of eleven percent (11%) employee contribution and to contribute ten percent (10%) towards their medical premium costs. In their current agreement, the City and IFPTE have agreed to change the cap for City paid medical insurance at ninety percent (90%) of the second most expensive benefits plan to the fourth most expensive plan with each employee continuing to contribute ten percent (10%) towards their premiums at their chosen coverage level. The proposed MOU reflects a continued commitment to addressing the City's structural budget deficit and offsetting increased costs associated with healthcare and retirement.

## **DISCUSSION**

The proposed changes negotiated in the successor MOU continue contributions toward the Employer's share of retirement costs, medical benefits, dental and vision plans.

The City's budget model for the three-year period of the new MOU (FY 2019-FY 2021) has an assumption of two percent (2%) increases in cost of living adjustments for each of the fiscal years. The proposed agreement achieves savings by offering employees fifty (50) additional leave hours, which can be cashed out in FY 2019 or used by the end of the contract term in lieu of cost of living adjustment ("COLAs") in the first year. This approach allows for savings because taking additional leave or cashing-in those hours do not permanently increase employees' base wages, which would have increased other payroll expenses for the City, such as overtime costs and increased pension obligations. Additionally, more personnel cost savings will result from delaying COLAs. Future COLAs have been delayed for fifteen (15) months. Adjustments will be made in October 2019, July 2020, and January 2021 for a total of seven percent (7%) over the term of the contract. The projected savings achieved from additional leave hours in lieu of a COLA in FY 2019, delayed salary adjustments in FY 2020 and FY 2021, and restructuring the medical benefit so that the City's maximum contribution is equivalent to the fourth highest plan instead of the second highest plan effective January 1, 2020 results in an approximate General Fund savings of \$644,000 over the agreement term.

The proposed contract also provides for equity adjustments of up to ten percent (10%) for classifications below mid-market as determined by a total compensation survey. The equity adjustments are necessary to maintain the City's ability to recruit and retain highly qualified individuals to serve the community. Local 21 positions have not been surveyed in nearly ten years and the City has experienced some difficulty with recruitment and retention for positions represented by the unit. Staff estimates that the equity adjustments could cost up to \$376,000, for an approximate net savings achieved by the proposed agreement of \$268,000. The tables below summarize the key proposed changes in the new memorandum of understanding:

**Table 1: Key Proposed Changes**

<b>MOU Term</b>	<b>Proposed Language</b>	<b>Effective Date</b>
Salaries and Additional Leave (w/cash out option)	FY 2019 – 50 hours of additional leave (part-time staff will receive prorated amount)	Next full pay period following execution of contract (PPE 11/9*)
	FY 2020 – 1% COLA	October 1, 2019
	FY 2021 – 2% COLA	July 1, 2020
	FY 2021 – 4% COLA	January 1, 2021
Equity Study	<p>Survey will include special districts for six specific classifications</p> <p>Classifications 4%+ below the median of surveyed jurisdictions (after accounting for COLAs) will receive equity adjustments not to exceed 5% in 2 installments not to exceed 10% during the term of the agreement.</p>	<p>Begin bidding and selection process by: <u>April 1, 2019 and completed by December 1, 2019</u></p> <p>Equity adjustment #1: <u>Fiscal Year 2020</u></p> <p>Equity Adjustment #2: <u>Fiscal Year 2021</u></p>
Health Care	City will contribute 90% of premium costs of the fourth most expensive benefit plan	January 1, 2020
Additional Licenses/certifications	Additional 3% salary adjustment for qualified employees who acquire a land surveyor license or are a Certified Access Specialist	July, 2018
Bilingual Pay	Allows for up to \$100 per pay period for written language skills.	July 1, 2018
Educational Reimbursement	Part-time employees will be eligible for \$500 per fiscal year	July 1, 2018
Health and Wellness	Part-time employees will be eligible to receive \$25 per month	July 1, 2018

\* PPE = pay period ending

**FISCAL IMPACT**

The total proposed changes result in an estimated net savings of approximately \$268,000 over the contract period when compared to projections in the General Fund budget model for the same three-year period (FY 2019-FY 2021).

## **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 agreement, the City Manager will execute the agreement, and the Finance Department will implement the above changes in coordination with HR.

*Prepared by:* Farbod Pirouzmand, Deputy Director of Human Resources

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

Approved by:



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Kelly McAdoo, City Manager