



DATE: May 26, 2020

TO: Mayor and City Council

FROM: Assistant City Manager/Interim Director of Human Resources

SUBJECT: Salary and Benefits: Adopt a Resolution Amending the Salary and Benefits Resolution for Unrepresented Executives, Management, City Manager's Office, Human Resources, and City Attorney Employees

RECOMMENDATION

That Council adopts a resolution (Attachment II) amending the salary and benefits resolution for Unrepresented Executives, Management, City Manager's office, Human Resources, and City Attorney Employees.

SUMMARY

The City of Hayward is experiencing an unexpected drop in revenues as a result of State and County Shelter in Place Orders due to the COVID-19 pandemic. As a result, the City has taken a number of cost-saving measures to limit the impact this crisis has on its employees and residents, such as reducing expenditures, laying off temporary staff, and seeking concessions from its employee groups.

If approved, the proposed amended salary and benefits resolution would result in a General Fund savings of approximately \$169,458 and a total projected savings across all funds of \$235,946 in FY 2021. The savings will be achieved through Unrepresented employees either forgoing the July 1, 2020 cost-of-living adjustment (COLA) as provided in the current Resolution (or deferring it until certain indicators of fiscal recovery are met) or meeting an eighty (80) hour unpaid furlough obligation in Fiscal Year 2021.

In recognition of Unrepresented Exempt and Non-Exempt employees either deferring the July 1, 2020 COLA or taking an 80-hour unpaid furlough in fiscal year 2021, employees may receive a one-time lump-sum payment if certain financial indicators are met.

BACKGROUND

In response to the COVID-19 pandemic and the rapid spread of the disease, on March 16, 2020, the Health Officer of the County of Alameda, along with the Health Officers of Contra Costa, Marin, Santa Clara, San Mateo, and Santa Cruz counties, issued an Order for the public to shelter-in-place of residence, limiting the public's ability to leave their homes except to perform essential work and obtain essential services. The County has extended

this order, which is currently in effect through May 31, 2020. On March 19, 2020, Governor Newsom also issued a state-wide Order to shelter-in-place of residence, followed by state guidance on a phased reopening of businesses if certain quantifiable indicators are met to demonstrate progress in the battle to quell the spread of the virus.

As a result of these Shelter in Place Orders and the closure of all but non-essential businesses and services, City revenues have been severely impacted. Based on updated revenue projections, by the close of Fiscal Year 2020, the revenue decline resulting from COVID-19 is projected to require the use of approximately \$17 million of the City's \$36 million General Fund operating reserve (or savings account).

As a result, the City has implemented a number of cost saving measures. First, a vast majority of temporary staff were released from their positions. Second, City-wide non-emergency expenses have been limited to \$250,000 per month (previously averaged around \$750,000 per month) for the entire organization, with the Director of Finance and the City Manager closely reviewing all City expenditures. Third, the City Manager and Executive team have agreed to forego the value of their cost-of-living (COLA) increases scheduled for July 1, 2020, either by forgoing the COLA itself or agreeing to an 80-hour furlough obligation in Fiscal Year 2021. Bargaining groups were asked to forego the value of their cost-of-living (COLA) increases scheduled for July 1, 2020, either by forgoing the COLA itself or agreeing to an 80-hour furlough obligation in Fiscal Year 2021. The City Manager, Finance Director, interim HR Director, and the City negotiating team have been negotiating with all bargaining groups to try to effectuate cost savings that can be implemented as part of the FY2021 budget. Cost savings contributed by bargaining groups are critical to the City's fiscal health as labor costs make up approximately 85% of the General Fund budget and these labor cost savings help avoid layoffs and reductions in services to the community. Currently, the City has not laid off any permanent City employees and has paid full salary and benefits to all employees during the shelter-in-place order time period.

The International Association of Fire Fighters Local 1909 and the Hayward Fire Officers Association were among the first of the employee groups to forego a previously agreed upon salary survey adjustment (capped at 2%) scheduled to take effect July 1, 2020. Similarly, the City Manager volunteered to forego the July 1, 2020 scheduled 2% COLA currently provided for in her employment agreement, and the Mayor and City Council volunteered to reduce their salary by 2% and reduce their travel and miscellaneous budget by 50% for FY 2021. The City Council approved these actions on May 19, 2020.

DISCUSSION

The employees in this group were given the option to select either an eighty (80) hour furlough obligation for FY 2021 or to give up or defer their scheduled COLA. Most employees elected an eighty (80) hour furlough obligation for FY 2021 and some volunteered to give up or defer their scheduled COLA. To minimize the financial impact of those employees who elected an eighty (80) hour furlough, they may elect to evenly spread the furlough hours throughout the fiscal year, resulting in less than a four (4) hour deduction from each

paycheck. Because employees must meet the unpaid furlough obligation within FY 2021, maximum vacation accrual caps will be lifted for the duration of calendar year 2021.

Four employees elected to give up or defer their COLA. The Director of Finance and the Fire Chief elected to forego their scheduled July 1, 2020 3% COLA. The Human Resources Administrative Assistant and the Deputy Director of Human Resources elected to defer their scheduled July 1, 2020 2% COLA, until certain indicators of the City's fiscal health are met, as listed below:

1. Revenue recovery occurs and is the same or greater than revenue levels reported in the City's FY 2018 CAFR for (1) Sales tax, (2) Property tax, (3) Real Property Transfer Tax, and (4) Transient Occupancy Tax;
2. No economically forced layoffs are required to balance the budget or meet the structural deficit in the fiscal year where the remaining indicators are met;
3. The City's General Fund reserves are restored to 17% of the budgeted annual operating expense budget; and
4. A Balanced Budget is adopted without the use of General Fund reserves.

In recognition of Unrepresented Exempt and Non-Exempt employees either deferring the July 1, 2020 COLA or taking an 80-hour unpaid furlough in fiscal year 2021, they may receive a one-time lump-sum payment under either of two (2) specific scenarios (identified as "Criteria One" and "Criteria Two"). Employees may receive a single, one-time lump-sum payment under either set of criteria, but not under both.

In order for employees to receive the lump-sum payment, the requirements of either scenario must be met on or before June 30, 2022.

Under Criteria one, if (1) the sum total revenue generated by Sales Tax, Property Tax, Utility Users Tax, and Transient Occupancy Tax (the "Four Tax Revenues") in either fiscal year 2021 or fiscal year 2022 is the same or greater than the sum total revenue of the Four Tax Revenues in fiscal year 2018, and (2) the City's General Fund reserves are restored to 17% of the budgeted annual operating expense budget, then employees may receive a one-time lump-sum payment equal to 3% of the employees' base wages as of January 2, 2021.

Under Criteria two, if the City receives financial aid through a federal stimulus package that (1) exceeds \$3.5 million in fiscal year 2021, (2) is specifically related to COVID-19 relief, and (3) is discretionary or able to be used to offset revenue loss in the General Fund and/or for currently funded General Fund positions, and the City's General Fund reserves are restored to 17% of the budgeted annual operating expense budget, then employees can receive a one-time lump-sum payment equal to 3% of the employee's base wages as of January 2, 2021.

Executive members (Department Heads) of the Unrepresented group are not eligible for the single, one-time lump sum payment.

FISCAL IMPACT

The proposed salary and benefits resolution would result in a General Fund savings of approximately \$169,458 and a total projected savings across all funds of \$235,946 in FY 2021 over previous contractual obligations.

STRATEGIC ROADMAP

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

NEXT STEPS

If approved, staff will finalize the resolution and the City Manager will execute and implement these changes.

Prepared by: Kakshi Master, Human Resources Analyst II

Recommended by: Maria A. Hurtado, Assistant City Manager/Interim Director of Human Resources

Approved by:



Kelly McAdoo, City Manager