



DATE: April 17, 2018

TO: Mayor and City Council

FROM: Director of Human Resources

SUBJECT: Adoption of Resolution Approving the Amendment and Extension of Memoranda of Understanding between the City of Hayward and the Hayward Firefighters, Local 1909 and Hayward Fire Officers Association and Authorizing Staff to Execute the Agreements

RECOMMENDATION

That the City Council adopts a Resolution approving the amendment and extension of the Memoranda of Understanding between the City of Hayward and the Hayward Firefighters, Local 1909 and Hayward Fire Officers and authorizing staff to execute the agreements.

SUMMARY

The current MOUs with Hayward Firefighters, Local 1909 (“Local 1909”) and the Hayward Fire Officers Association (“HFOA”) expire on December 31, 2018. The attached Resolution will allow staff to execute Memoranda of Understanding with Local 1909 and HFOA that amend and extend the current agreements through December 31, 2023. The amendments allow for administrative and legal language updates and modest salary and benefit adjustments, resulting in an estimated General Fund savings of approximately \$822,000 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, was severely impacted by the Great Recession 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 improvement in many of its key General Fund revenues, such as Property Tax and Sales Tax, the City continues to experience an astronomical rise in employee benefit costs, particularly pension and healthcare costs. Recent changes to the CalPERS discount rate to 7% and modification to the mortality and investment risk assumptions have only exacerbated the already steep growth in retirement benefit rates. 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 a 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 waiving salary increases and sharing the cost of benefits including retirement and medical. During the October 2017 Fiscal Sustainability Worksession, the Council identified several budget balancing strategies and directed staff to explore potential revenue enhancements and to continue partnerships with labor groups to address the increasing costs of employee benefits including retirement and health care through cost sharing and other strategic initiatives to reduce personnel costs.

The City entered into negotiations with Local 1909 and HFOA in January 2018. Over the last five years, these groups have acknowledged the need for reduced costs associated with salaries and benefits and, in the last contract, relinquished salary increases that they were otherwise entitled to and contributed 6% of earnings toward the City's share of retirement costs, saving nearly \$5 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. The parties reached a tentative agreement on March 21, 2018 and the agreement was ratified by the bargaining unit members on April 15, 2018.

DISCUSSION

Throughout the negotiations, both sides agreed that to address the growing 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.

The proposed changes include benefit cost sharing in the form of the continued 6% contribution toward the City's share of retirement costs and a 1% contribution to OPEB (Other Post Employment Benefits). Recognizing that health care costs continue to increase, Local 1909 and HFOA agreed to eliminate the highest cost plan, United Health, as an option for their members. This plan currently costs up to \$3,566.78 per month, which is nearly \$1,000 more than the next highest plan. There is a City contribution of \$2,400 per year to the deferred compensation account for all PEPRAs members and \$600 per year to the VEBA account of all members.

Another key part of the proposal is salary adjustments. Recent total compensation surveys show that Local 1909 and HFOA employees are between eleven and thirteen percent below market and the City is contractually obligated to compensate this group at the average of the top four survey agencies. The City's budget model for the extended contract period (FY 2020-FY 2024) calls for a 2% salary increase each year. The proposed MOUs call for no salary increase in FY 2020, a 2% increase in fiscal years 2021-2023, and a 3% increase in FY 2023, for a total of 9% in salary increases over the contract period, which is 1% less than what is budgeted in the City's financial model. This results in an overall savings to the City during the MOU period, which is maximized by the group taking no increase in the early year of the MOU and taking the largest increase in the last year. Other salary adjustments are administrative in nature and include rolling incentive pay into base pay and renaming the current longevity pay. Currently, employees receive 8% Paramedic Certification Pay and 2% for Emergency Medical Technicians, for a total of 10%. Having the emergency medical technician

certification is a requirement for the paramedic certification. The paramedic certification is a minimum requirement for the firefighter position and all new hires must have it. Therefore, it is no longer appropriate to pay as an incentive and this will be rolled into salary.

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 TERM	PROPOSED LANGUAGE	EFFECTIVE DATE
Retirement/Cost Sharing	Continue to contribute 6% of the employer's share of CalPERS contribution	January 1, 2019 (no interruption to current contribution)
OPEB Contribution	Employees contribute 1% of salary to OPEB	July 1, 2018
Salaries	FY 2020 - 0% FY 2021 - 2% FY 2022 - 2% FY 2023 - 2% FY 2024 - 3%	The beginning of the fiscal year, which is the pay period that includes July 1, for FY 2020 – FY 2024.
EMT Certification Pay	Eliminate incentive pay and roll 2% into salary	July 1, 2018
Paramedic Certification Pay	Eliminate incentive pay and roll 8% into salary	July 1, 2018
Sick Leave	Add 24 hours vacation to the balance of all employees who have a sick leave balance of 600 hours or more and have used less than 48 hours in one calendar year.	Leave awarded for period beginning January 1, 2019-December 31, 2019 and each calendar year through December 31, 2023.
Other Benefits	Contribute \$200 per month to the deferred compensation account of PEPRAs Members (\$2,400 annually)	January 1, 2019
Other Benefits	Contribute \$50 per month to the VEBA account of participating members or to the deferred comp account of members that don't have a VEBA account (\$600 annually)	January 1, 2019
Medical Insurance	Eliminate highest cost plan (United Health)	July 1, 2018
Long Term Disability	Eliminate City paid disability plan for HFOA employees	July 1, 2018
Service Awards & Receptions	Eliminate City payments	July 1, 2018

Overtime	Pay Fire Officers FLSA overtime	July 1, 2019
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FISCAL IMPACT

The proposed changes result in an estimated savings of approximately \$822,000 in comparison to projections in the General Fund budget model over the MOU period (FY 2019-FY 2024).

STRATEGIC INITIATIVES

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

Approved by:



Kelly McAdoo, City Manager