



DATE: June 19, 2018

TO: Mayor and City Council

FROM: Director of Human Resources

SUBJECT: Resolution Approving a Memorandum of Understanding between the City of Hayward and Hayward Association of Management Employees and Authorizing Staff to Execute the Agreement

RECOMMENDATION

That the City Council adopts a Memorandum of Understanding between the City of Hayward and the Hayward Association of Management Employees (“HAME”) and authorizes staff to execute the agreement.

SUMMARY

The current Memorandum of Understanding with HAME expires on June 30, 2018. The attached Resolution (Attachment II) will allow staff to execute a successor Memorandum of Understanding with HAME with the term of July 1, 2018 through June 30, 2021. This new agreement allows for administrative and legal language updates and modest salary and benefit adjustments, resulting in an estimated General Fund savings of approximately \$500,000 when compared to the budget model for the same three-year contract period (FY 2019 – FY 2021).

BACKGROUND

The City of Hayward’s finances, like other cities throughout the nation, were severely impacted by the Great Recession and the City 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, employee benefit costs, such as pension and healthcare benefits, are continuing to grow at an alarming rate. Recent changes to the CalPERS discount rate to 7% and modification to the mortality and investment risk assumptions have only exacerbated the already exorbitant growth in retirement benefit rates and are likely to continue, making it even more challenging for cities to fund ongoing operations and services to the communities they serve while continuing to provide their employees with a sustainable retirement and quality healthcare benefit options. Despite its ongoing financial challenges, the City continues to seek strategies that balance the need to address the economic concerns of employees with the need to mitigate against the rising costs of employee benefits. The City of Hayward continues to provide quality services to its community and preserve employee benefits while taking significant steps towards attaining

fiscal sustainability. This has included partnering with employees who stepped up to help address the City's structural budget deficit by reducing expenses related to salaries and benefits by waiving salary increases and sharing the cost of benefits including retirement and health insurance in the past. In October 2017 during the Fiscal Sustainability Work session, the Council identified several 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 negotiations with HAME in January 2018. Over the last five years, HAME has acknowledged the need for reduced costs associated with salaries and benefits and in its last contract, employees agreed to contribute up to 11% toward their PERS retirement costs. To defray some of the health insurance cost increases, employees represented by HAME also began to contribute 10% of employee medical insurance costs, 20% of employee dental insurance, and 50% of employee vision insurance. The proposed successor Memorandum of Understanding reflects a continued commitment to addressing the City's structural budget deficit and offsetting increased costs of retirement and healthcare. The parties reached a tentative agreement on a successor Memorandum of Understanding on May 30, 2018 and the agreement was ratified by the bargaining unit members on June 12, 2018.

DISCUSSION

Throughout the current negotiations cycle, City and HAME representatives agreed that in order to address the growing budget deficit, 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 continue the current cost sharing arrangement in the form of continued contributions toward the employer's share of PERS retirement costs, and the continued contributions to dental and vision plans. Recognizing that health care costs continue to increase, HAME representatives agreed that the City should only contribute 90% of the cost of the Kaiser medical plan, as opposed to 90% of the second costliest medical plan. By agreeing to this cost saving measure, HAME will save the City nearly \$200,000 in the next three fiscal years.

Another key part of the proposal is salary adjustments. The City's budget model for the contract period (FY 2019-FY 2021) incorporates a 2% increase in cost of living adjustments each year. The proposed salary agreement with HAME calls for no cost of living increase in FY 2018. Instead, employees would receive a 4.25% cash payment in lieu of a cost of living increase. This one-time payment will not permanently increase employees' base wages. Employees will ultimately receive a total of 6% in COLA adjustments over the contract period beginning in January of 2020. Other changes are generally administrative and include language changes to reflect recent developments in law and policy. The following table summarizes the key proposed changes:

MOU TERM	Proposed Language	Effective Date
Salaries and One-Time Cash	FY 2019 – 4.25% one-time cash	July 1, 2018
	FY 2020 – 2% COLA	January 1, 2020
	FY 2021 – 2% COLA	July 1, 2020
	FY 2021 – 2% COLA	January 1, 2021
Flexible Benefits Allowance	Reduces medical allowance to no more than 90% of the Kaiser plan that corresponds with the employee's participation level	January 1, 2019
Bilingual Pay	Provides \$100 allowance for oral and written skills	July 1, 2018
Salary Surveys	Includes special districts in survey agencies for 11 Utilities/Water positions	July 1, 2020 <i>(Date when RFP process begins)</i>
Holidays Observed <i>(This change incurs no additional cost as this reflects payroll's practice)</i>	Bases holiday pay on scheduled hours (i.e. employee on a 9/80 schedule gets 9 hours holiday pay on holidays that fall on their scheduled 9-hour days)	July 1, 2018
Vacation/Management Leave Allowance	Allows employees to cash-out up to 80 hours of vacation and/or management leave	July 1, 2018
Bereavement Leave	Adds 1 day off to attend the funeral of non-family member (1/2 day for part-time employees)	July 1, 2018
Parental Leave	Provides 40 hours parental leave Allows use of up to 120 hours sick leave upon birth of child or placement with employee who has commenced adoption proceedings	July 1, 2018

FISCAL IMPACT

The proposed changes result in an estimated savings of \$527,571 in comparison to projections in the General Fund budget model for the contract 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 approved, Human Resources staff will finalize the agreements and obtain review by the City Attorney and the necessary approvals from the City Manager to execute them. Human Resources staff will also work with the Finance Department to implement the above changes.

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

Approved by:

A handwritten signature in black ink, appearing to read 'K McAadoo', written in a cursive style.

Kelly McAadoo, City Manager