



DATE: July 17, 2018

TO: Mayor and City Council

FROM: Director of Human Resources

SUBJECT: Resolution Approving the Extension and Amendment of the Memorandum of Understanding between the City of Hayward and the Hayward Police Officers Association

RECOMMENDATION

That the City Council adopts the attached Resolution (Attachment II) approving the extension and amendment of the Memorandum of Understanding between the City of Hayward and the Hayward Police Officers Association (“HPOA”) bargaining unit for the period of July 1, 2018 through June 30, 2024.

SUMMARY

The current Memorandum of Understanding (“MOU”) with HPOA will expire on July 1, 2019. The attached Resolution will allow staff to execute an amended agreement with HPOA for the term of July 1, 2018 through June 30, 2024. The new agreement will grant salary and benefit adjustments, such as cost of living adjustments, and employer contribution to deferred compensation accounts, however, employees will also continue to contribute fifteen percent (15%) toward their PERS cost and a one percent (1%) contribution towards OPEB costs. The new contract also includes administrative and legal language updates.

If approved, the proposed MOU will result in a General Fund savings of approximately \$1.5 million when compared to the budget model for FY 2019 – FY 2024.

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, employee benefit costs, such as pension and healthcare benefits, continue to grow at significant rates. Because of these trends, it has become 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.

The City has worked hard to continue to provide quality services to its community and preserve 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 forgoing 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 the City's labor groups to address the increasing costs of employee benefits and develop other strategies to reduce total personnel costs.

The City entered negotiations with HPOA in January 2018. Like other bargaining units, HPOA members partnered with the City and have helped reduce personnel expenses through contributions toward the cost of retirement benefits, waiving and delaying salary increases, and capping the amount they are contractually due to lesser amounts. In their current contract, HPOA agreed to pay six percent (6%) of the employer's share in addition to the nine percent (9%) employee share for a total of fifteen percent (15%) towards pension costs. The contract will also be amended to include a one percent (1%) contribution toward Other Postemployment Benefits ("OPEB") and the 15% retirement contributions will continue. In addition to the continued cost sharing, HPOA waived any salary increases for FY 2020 and capped the amounts due in FY 2021, FY 2022, and FY 2023, and FY 2024 to achieve additional savings. Other amendments to the MOU include minor enhancements to the retirement plan and restructuring of the educational and longevity incentives. The proposed agreement was ratified by the HPOA membership on June 30, 2018.

DISCUSSION

The Hayward Police Department, much like other comparable jurisdictions, is having a difficult time recruiting qualified candidates to fill its vacancies. Currently, there are approximately 20 police officer vacancies. Therefore, in the course of negotiations with HPOA it was important to balance the need to reduce personnel costs with the need for a competitive and attractive compensation package to increase the number of highly qualified applicants seeking employment with the Hayward Police Department, as well as retain the talented employees the City currently has. To that end, the proposed amended MOU, includes modest salary adjustments and other incentives to improve the compensation package the City offers our Police employees, while still creating a General Fund savings of approximately \$1.5 million. Key provisions of the amended agreement are summarized in Table 1 below:

Table 1: Key Proposed Changes – HPOA MOU

MOU Term	Proposed Language		Effective Date
Salaries	FY 2019 – 5% COLA		July 1, 2018
	FY 2020 – 0% COLA		July 1, 2019
	FY 2021 – 2% COLA		July 1, 2020
	FY 2022 – 2.5% COLA		July 1, 2021
	FY 2023 – 2.5% COLA		July 1, 2022
	FY 2024 – 5% Maximum based on Survey		January 1, 2024
Defined Benefit Retirement Program	Employees will continue to pay 15% of the PERS contribution		July 1, 2018
OPEB Contributions	Employees will contribute 1% for OPEB liability		July 1, 2018
Deferred Compensation Contribution	City will contribute \$200 per month to the account of employees hired after May 1, 2012		July 1, 2018
Payment for Unused Sick Leave Upon Separation	Previous Payout Factor	New Payout Factor	July 1, 2018
	1.25% 1.0% 0%	2.5% 2% 1%	
Educational Reimbursement	In the previous agreement, an employee’s previous law enforcement experience did not count towards qualifying for this premium; this has been changed so that this benefit can be used as a recruitment incentive		July 1, 2018
PERS Option 21548 Death Benefit	Providing an optional benefit for officers’ beneficiaries to receive retirement payment based on the number of services years an officer had at the time of his/her death in the line of duty ¹		July 1, 2018
Sick Leave Conversation	Officers using only 26 hours of sick leave from January to December of a calendar year receive 13 hours of compensatory leave		July 1, 2018
Compensatory Leave	The compensatory leave allowance increases to 480 hours		July 1, 2018

¹ There are other criteria that an officer would have to meet to qualify for this benefit per CalPERS rules.

FISCAL IMPACT

The total proposed changes result in an estimated net savings of approximately \$1.5 million in comparison to projections in the General Fund budget model for the same 5-year 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

If adopted, Human Resources staff will finalize the agreement and work with the Finance Department to implement the above changes.

Prepared by: Farbod Pirouzmand, Deputy Director of Human Resources

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

Approved by:



Kelly McAdoo, City Manager