



DATE: December 3, 2019

TO: Mayor and City Council

FROM: Assistant City Manager

SUBJECT: Adopt a Resolution Approving the Memorandum of Understanding between the City of Hayward and the Hayward Police Management Unit (HPMU) for the period of July 1, 2019 through June 30, 2023

RECOMMENDATION

That the City Council adopts a Resolution (Attachment II) approving the Memorandum of Understanding (MOU) between the City of Hayward and the Hayward Police Management Unit (HPMU) for the period of July 1, 2019 through June 30, 2023 and authorizing the City Manager to execute the MOU.

SUMMARY

The Memorandum of Understanding (MOU) with HPMU expired on July 1, 2019. The proposed Resolution (Attachment II) will allow the City Manager to execute an agreement with HPMU for the term of July 1, 2019 through June 30, 2023. The new agreement will grant salary and benefit adjustments; however, employees will also continue to contribute fifteen percent (15%) toward their Public Employees' Retirement System (PERS) costs and a one percent (1%) contribution towards Other Post-Employment Benefits (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 \$1,300 over the life of the contract.

BACKGROUND AND DISCUSSION

The City continues to operate with a structural budget deficit. Cost drivers, such as increased pension and healthcare costs, continue to challenge cities across the region, making it challenging for cities to adequately fund ongoing operations and services and provide employees with a sustainable retirement and quality healthcare benefit options.

Over the last several years, the City has effectively identified and implemented revenue generating options to ensure fiscal sustainability. Employees have recognized the City's fiscal challenges and have partnered with the City by reducing expenses related to salaries and benefits. Employee contributions to date have included forgoing salary increases and sharing the cost of benefits including retirement and health insurance.

The City entered negotiations with HPMU on May 29, 2019. Like other bargaining units, HPMU members have partnered with the City and helped to reduce personnel expenses through contributions toward the cost of retirement benefits and waiving and delaying salary increases. In their previous contract, HPMU 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. Members also previously agreed to contribute one percent (1%) toward Other Post-Employment Benefits (OPEB). In addition to the continued cost sharing, HPMU waived salary increases for FY 2020 and agreed to reduce the City’s maximum contribution towards medical insurance, consistent with the Hayward Police Officers Association (HPOA), to achieve additional savings. Other changes to the MOU include an increase in life insurance, a minor enhancement to the retirement plan, and restructuring of the educational and longevity incentives, consistent with HPOA. The proposed agreement was ratified by the HPMU membership on October 1, 2019.

In August 2019, staff conducted a total compensation survey, which included the following cities: Alameda, Berkeley, Daly City, Fremont, Palo Alto, Richmond, San Leandro, San Mateo, Santa Clara and Vallejo. The survey data reflected HPMU is approximately eight percent (8%) below the average total compensation for Police Captains of the top four (4) agencies. Additionally, surrounding cities have received and are scheduled to receive increases in the next two or three years that would further create external inequity. Consequently, it was important to address external equity throughout the course of these negotiations. To that end, the proposed MOU includes modest salary adjustments and other incentives to improve the compensation package the City offers our Police Captains while still creating a General Fund savings of approximately \$1,300 over the life of the contract. Key provisions of the amended agreement are summarized in Table 1 below:

Table 1: Key Proposed Changes – HPMU MOU

| MOU Term | Proposed Language | Effective Date |
|---|---|--|
| Salary Adjustments | FY20 - 0% FY21 - 3% FY22 - 3% FY23 - 5% max (based on survey) | July 1, 2020 July 1, 2021 July 1, 2022 July 1, 2023 |
| CalPERS Option 21548 Death Benefit | Provides an optional benefit for beneficiaries to receive retirement payment based on the years of service an employee had at the time of his/her death in the line of duty | January 6, 2020 |
| Medical | City will contribute 100% of plan premiums, up to Kaiser or Blue Shield, whichever is higher | July 1, 2019 |
| Life Insurance | City shall provide a policy equal to two times annual gross salary. | July 1, 2019 |
| Vacation | Employees may exceed the maximum accrual cap during the calendar year but cannot carry hours in excess of the cap into a subsequent calendar year. | July 1, 2019 |

FISCAL IMPACT

The total proposed changes result in an estimated net savings of approximately \$1,300 in comparison to projections in the General Fund budget model for the same 4-year period (FY 2020-FY 2023).

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, the City Manager will execute the agreement and staff will finalize the agreement and implement the above changes.

Prepared by: Vanessa Lopez, Senior Human Resources Analyst

Recommended by: Maria A. Hurtado, Assistant City Manager

Approved by:



Kelly McAdoo, City Manager