



**DATE:** January 18, 2022

**TO:** Mayor and City Council

**FROM:** Director of Human Resources

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

### **RECOMMENDATION**

That the Council adopts the attached resolution (Attachment II) approving the Memorandum of Understanding between the City of Hayward and the Hayward Association of Management Employees (HAME) bargaining unit for the period of December 2, 2021 through June 30, 2024.

### **SUMMARY**

The current Memorandum of Understanding (MOU) with HAME expired on June 30, 2021. The attached resolution will allow staff to execute a successor agreement with HAME for the term of December 2, 2021 through June 30, 2024. The new agreement will grant salary adjustments totaling ten percent (10%) over the three-year contract term, as well as equity salary adjustments based on a study completed in April 2021, and a lump sum payment to all HAME represented employees in the amount of \$1,500. The new contract also includes operational, administrative, and legal language updates.

### **BACKGROUND AND DISCUSSION**

During the term of its prior contract with HAME, the City worked hard to achieve and maintain fiscal sustainability. Though the City continues to face the challenges of growing pension and retiree health liabilities, the City also recognized it would need to provide competitive salary increases as part of any successor contract in order to maintain its ability to recruit and retain employees. In order to do so, however, the City also sought to maintain its cost sharing structure for major employee benefits, including health and retirement, to help mitigate those growing costs. As detailed below, the City was able to achieve both of these goals in the proposed contract.

As part of the prior contract, the City and HAME conducted a total compensation study for all represented classifications but did not implement any salary changes related to that study during the last contract term. The parties recognized that in order to improve the City's position

in the labor market, particularly for positions that have been challenging to recruit for, it would be beneficial to implement equity adjustments based on this study. As outlined below the parties agreed that:

- Positions that are more than 15% behind the market median (based on total compensation) would receive a 10% equity adjustment;
- Positions that are more than 10% behind the market median (based on total compensation) but less than 15% behind would receive a 5% equity adjustment; and
- Positions that are at least 5% behind the market median (based on total compensation) but less than 10% behind would receive a 3% equity adjustment.

All equity adjustments are scheduled to be implemented during the pay period including July 1, 2023. In addition to these equity adjustments, the City and HAME also agreed to a total of 10% in cost-of-living adjustments during the contract term. In FY2022, HAME represented employees will receive a one percent (1%) salary adjustment, effective the pay period including December 2, 2021, which is the date on which the parties reached a tentative agreement. In FY2023, salaries will be adjusted by four percent (4%) effective the pay period including July 1, 2022, and in FY2024, salaries will be adjusted by five percent (5%) effective the pay period including July 1, 2023. This structure provides the City with a period of fiscal stability as it continues to navigate the impacts of the COVID-19 pandemic, while also providing employees with significant, competitive salary increases over the full contract term.

The proposed contract contemplates the City and HAME completing a total compensation survey in advance of the next round of contract negotiations. It is expected that the results of that survey will be used as a tool in future negotiations, but the parties did not agree to implement any equity adjustments related to that future study. Importantly, the proposed contract maintains existing employee contributions toward the employer’s share of retirement costs, medical benefits, dental and vision plans.

The parties also agreed to a handful of operational, administrative, and legal updates to the contract. Of note, the City agreed to (i) modify the way in which employees may request vacation cash outs and (ii) modifications to the health & wellness reimbursement, while maintaining the status quo cap on the cost of that benefit.

The tables below summarize the key proposed changes in the new memorandum of understanding.

**Table 1: Key Proposed Changes**

<b>MOU Term</b>	<b>Summary of Changes</b>	<b>Effective Date</b>
Salaries	FY 2022 – 1% COLA	December 2, 2021 (date of tentative agreement)
	FY 2023 – 4% COLA	July 1, 2022

<b>MOU Term</b>	<b>Summary of Changes</b>	<b>Effective Date</b>
	FY 2024 – 5% COLA	July 1, 2023
Lump Sum Payment	\$1,500 to each full time HAME-represented employee (pro-rated for part-time employees)	Effective following Council adoption
Equity Adjustments	<ul style="list-style-type: none"> <li>• +15% behind market median (total compensation): 10% salary increase</li> <li>• +10% - 15% behind market median (total compensation): 5% salary increase</li> <li>• 5%-10% behind market median (total compensation): 3% salary increase</li> </ul>	July 1, 2023
Equity Study	<p>Survey jurisdictions and classifications for which City will review special districts are consistent with prior salary survey</p> <p>Parties to meet and confer over benchmark positions in early 2023</p> <p>No guaranteed equity adjustments during contract term tied to future equity study</p>	Begin bidding and selection process by: February 1, 2023 and completed by December 1, 2023
Health and Wellness	Maintain annual cap but allow employees to seek reimbursement in lump sums as opposed to monthly and expand items covered under reimbursement to include equipment, consistent with policy during pandemic	Effective following Council adoption

## **FISCAL IMPACT**

The total proposed changes will result in an estimated fiscal impact of \$1,666,043 to the General Fund, and a net cost of approximately \$1,124,212 across all other funds, over the

contract period when compared to projections in the City's budget model for the same three-year period (FY 2022-FY 2024).

### **STRATEGIC ROADMAP**

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

### **NEXT STEPS**

If adopted, Human Resources staff will finalize the agreement, the City Manager will execute the agreement, and the Finance Department will implement the above changes in coordination with Human Resources.

*Prepared by:* Kakshi Master, Acting Deputy Director of Human Resources

*Recommended by:* Jana Sangy, Director of Human Resources

Approved by:

A handwritten signature in black ink, appearing to read 'K. McAdoo', is written over a horizontal line.

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Kelly McAdoo, City Manager