



CITY OF HAYWARD

Hayward City Hall
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Cover Memo

File #: CONS 15-302, **Version:** 1

DATE: October 27, 2015

TO: Mayor and City Council

FROM: Director of Human Resources

SUBJECT

Resolution Approving the Memorandum of Understanding between the City of Hayward and the International Federation of Technical Engineers, Local 21

RECOMMENDATION

That the City Council adopts the attached Resolution approving the Memorandum of Understanding (MOU) between the City of Hayward and International Federation of Technical Engineers, Local 21 (collectively, "Local 21").

BACKGROUND

In 2012, the City of Hayward projected a \$14.9 million shortfall in the General Fund for FY 2013 and further projected that this structural gap would grow to \$19.4 million in FY 2014 unless significant changes were made. At that time, the City also projected an annual deficit of \$20-\$30 million annually over the next ten years absent the implementation of on-going structural budget changes. In FY 2015, the projected structural deficit was \$4.5 million. Although the City's revenues are improving, expenses are rising faster than even our most optimistic revenue projections. Employee salaries and benefits comprise approximately eighty percent (80%) of the City's expenses.

Over the last five years, CalPERS rates have increased substantially. In 2010, the employer contribution rate for miscellaneous employees, which includes Local 21 was 11.947% and the current rate for FY2016 is more than double that amount at 24.467%. For the same period, medical premium costs have increased more than 34%. Despite the financial challenges, the City remains committed to providing fair and competitive employee salary and benefits packages in a fiscally responsible manner that also addresses the structural deficit in a way that provides long-term financial stability. This task is extremely challenging because any reasonable solution to achieve financial stability must include increased employee contributions toward the growing cost of benefits.

Since FY 2010, the City's employee groups, including Local 21, have all given back in salary and/or benefits in order to assist the City with reducing the projected budget gap. The concessions made by Local 21 employees include waiving cost of living increases and City contributions to offset OPEB costs. Local 21's MOU expired on September 30, 2013. Negotiations for a successor agreement began in

February 2013. After nearly two years of negotiating, the City and Local 21 reached a tentative agreement on September 22, 2015. The tentative agreement was ratified by Local 21 on October 12, 2015.

DISCUSSION

The proposed MOU, which will be distributed to the Council and available to the public no later than Monday, October 26, 2015, consists of cost of living salary adjustments and employee contributions to retirement and medical benefits, which collectively results in some additional take-home pay for employees, while offering some protection of the City’s long-term fiscal stability through increased employee contributions toward their benefits. The tentative agreement is one of shared sacrifice and flexibility. Under the terms of the proposed MOU, employees receive salary increases totaling 8% over three years and contribute 10% of the premium costs to medical, 20% to dental, 50 % to vision, and 3% toward the employer share of CalPERS retirement benefit costs. Table 1 summarizes the key differences between the previous and the proposed Memorandum of Understanding.

Table 1: Summary of Key Differences

Provision	Previous MOU	Proposed MOU
Duration	Expired September 30, 2013	3 Years, October 20, 2015-June 30, 2018
Salary Increase	None	3% - 10/20/15 2.5%- 7/1/16 2.5% - 7/1/17
Additional PERS Contribution (Employer share paid by employee)	None	3% Phased In: 1% - 10/20/15 1% - 7/1/16 1% - 7/1/17
OPEB Contribution	\$35 per pay period	\$0
Employee Medical Contribution	0%	10% premium contribution phased In: 5% -10/27/15 Additional 5% (Total 10%) - 7/1/17
Alternative Benefit	\$150, \$270, \$350	Increased to \$210, \$380, \$500
Health & Wellness Benefit	\$0	Reimbursement up to \$50 per month for qualified expenses
Supplemental Medical Benefits	Up to \$250 monthly	\$0
Dental	\$0	20% premium contribution
Vision	\$0	50% premium contribution
Worker's Compensation	100% salary replacement	66.67% salary replacement
Professional Development	\$0	Up to \$250 for qualified expenses

Other changes are generally administrative in nature and reflect updated language that is more concise

and consistent with recent legal changes such as the Affordable Care Act and AB1522.

FISCAL IMPACT

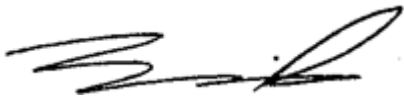
The estimated cost for increased salaries and benefits of the proposed MOU is approximately \$2.73 million. This is approximately \$431,000 less than the \$3.16 million projected salary and benefit costs for this bargaining group in the FY 2015 General Fund Ten Year Plan over the same three year period.

NEXT STEPS

Human Resources in partnership with the Finance Department will work with Local 21 to implement the terms of the Memorandum of Understanding.

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

Approved by:



Fran David, City Manager

Attachments:

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|---------------|---|
| Attachment I | Resolution Approving Memorandum of Understanding |
| Attachment II | Exhibit 1: Memorandum of Understanding (to be distributed no later than Monday, October 26, 2015) |