

City of Brisbane

Agenda Report

To: City Council via City Manager

From: Administrative Services Director

Subject: Adoption of Resolutions 2012-25, 2012-26, 2012-27, 2012-28, 2012-29, 2012-30, 2012-31, and 2012-32, to approve Letters of Understandings with the following groups: Confidential Management, Executive Management, Confidential, Mid-management/Professional, General, Police, and Fire. Adoption of Resolutions 2012-33 and 2012-34 to approve pay rates and benefits contributions for Hourly employees. Approve City Manager's Third Amendment to the Employment Agreement.

Date: October 1, 2012

Purpose:

Ensure the community continues to receive excellent service by retaining and attracting exceptional employees and maintain the long-term financial viability of the organization.

Recommendation:

Adopt Resolutions 2012-25 through 2012-34 approving Letters of Understanding for employee groups, and pay rates and benefits contributions for Hourly employees. Approve the City Manager's third amendment to the employment agreement.

Background:

Contracts for non-safety employees expired on June 30, 2011. Contracts for Safety employees expired on June 30, 2008. All of the City's bargaining groups are working under their old contract provisions as specified in Meyers Millas Brown Act. The hourly employees pay and benefits are based on resolutions approved by City Council. The resolution related to prorated health insurance benefits for was adopted by the City Council in 2002.

The City Council created a subcommittee which has met multiple times concerning the labor negotiations and developed a recommendation which was presented to the City Council in a closed session related to labor relations on January 18, 2011.

The subcommittee recommended, and the City Council approved, overall interests the City has in developing its strategy. The six interests which the City Council thought needed to be met were:

- 1) Ensure the on-going and long-term financial solvency of the City
- 2) Ensure there are enough reserves to cover future economic downturns and potential natural disasters
- 3) Maintain service levels as close to current standards as possible
- 4) Incorporate long-term cost containments mechanisms in labor contracts
- 5) Re-align retirement payments so there is a more even sharing of costs between employer and employee
- 6) Maintain a positive work environment

Discussion:

Since the last contract or Memorandum of Understanding (MOU) was approved a number of important events have happened. First, the City was informed by VWR (our largest sales tax provider) it would leave the City in 2012. Second, the residents passed a business license tax for recycling companies which has not been implemented yet. On a national scale, we have faced the most severe recession since the Great Depression of the 1930's. The federal government approved and the Supreme Court has upheld the Affordable Care Act. Some provisions of this act of already been implemented and the major change will be implemented during 2013. The most important of these provisions is the creation of the California Health Benefit Exchange. CalPERS has not provided any information as to the impact this will have on their plans or rates. In addition, very recently the State approved a new major pension reform law. The benefit changes and implementation of this law will also occur in 2013.

Based on this uncertainty the bargaining groups and the City's lead negotiators have fashioned a one year agreement to ensure both sides can ensure continued high quality service for our residents while maintaining the long-term financial strength of the organization. The two basic points which have been agreed upon by all groups are a 1% reduction in pay and no increase in the amount the City puts towards employee health insurance for calendar year 2013.

The variations are as follows:

Police: Add the Defined Contribution for Medical After Retirement already in place in the General, Mid-management/Professionals, and Executive contracts. Have the employees pay the employee portion of PERS (9%) in exchange for an 8% increase in salary, this net to a 1% reduction in salary for the employees.

Fire: Add the Defined Contribution for Medical After Retirement already in place in the General, Mid-management/Professionals, and Executive contracts.

General: Add additional time off of two days based on satisfactory employee evaluation, this is equivalent to 1% of pay. Added a section for acting pay similar to what exists in the Mid-Management/Professional MOU. With the reduction in staffing General Employees have had to act in the position of higher level employees including Team Leader, and Executive Administrative Assistant.

Executive Management: Elimination of three floating holidays for the length of the contract and a 2% reduction in pay instead of a 1%.

Confidential Management: A 2% reduction in pay instead of 1%, elimination of three floating holidays, elimination of Administrative Leave for calendar year 2013, and combining sick leave and vacation into Personal Time Off similar to the City Manager's employment agreement.

City Manager: Eliminating housing allowance from the agreement, a 2% reduction in pay beginning on January 1, 2013 on a going forward basis instead of reduction tied to calendar year 2013 only, waiving two weeks of administrative leave, and waiving three floating holidays. The amendment provides additional language regarding the outstanding housing loan the City Manager has with the City and a general statement to review the entire agreement for sections which may no longer be applicable.

Looking at the six interests Council stated it wanted to achieve the proposed agreements makes in roads in all of them.

- 1) **Ensure the on-going and long-term financial solvency of the City** – Although this is not a long-term contract and does not guarantee long-term savings it sets the framework for cost sharing on the health care side and the new laws (Affordable Care Act, and Pension Reform) should provide some long-term financial relief.
- 2) **Ensure there are enough reserves to cover future economic downturns and potential natural disasters** – We will be able maintain our reserves above \$5,000,000 for FY 2012/13
- 3) **Maintain service levels as close to current standards as possible** – We will be able to continue with the same number of employees working for the City assuming no further reduction in revenues.
- 4) **Incorporate long-term cost containments mechanisms in labor contracts** – This proposal does not incorporate any long-term cost containments as it is only through the end of 2013. However, as stated above it provides a framework for future cost containment and the new laws should assist with this.
- 5) **Re-align retirement payments so there is a more even sharing of costs between employer and employee** – The health care proposal requires employees to pick up more of their health care cost in 2013. The Pension Reform Bill provides a roadmap for employees to pay for more of their retirement costs as well.
- 6) **Maintain a positive work environment** – An agreement between both sides maintains a more positive work environment than would an imposed contract.

Fiscal Implications

Staff presented a preliminary budget for discussion to City Council on May 21, 2012. At that time, staff provided 5-year budget projections as well. Part of the budget projections was a 2% decrease in pay and no increase in health insurance payments.

The health insurance cost is what is in the 2012/13 budget. The salary decrease is less than anticipated in the 2012/13 budget. The additional cost would be about \$47,500 for FY 2012/13. Additionally, there will be a savings of approximately \$2,250 from the change in housing allowance for the City Manager. The change in floating holidays and the increase in leave time for the employees in the General group does not have a monetary impact on the organization since these positions will not be back filled with overtime. As for the decrease in floating holidays for the Executive Management Group, it translates either into more days worked during the year or a decrease in the number of accumulated vacation days.

Measure of Success

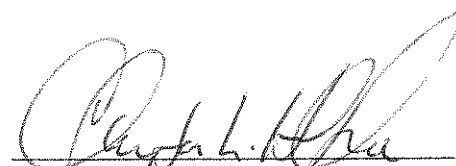
Reach agreement with the various bargaining groups which protect the City's long-term interests.

Attachments

Resolutions 2012-25, 2012-26, 2012-27, 2012-28, 2012-29, 2012-30, 2012-31, 2012-32, 2012-33, 2012-34,
Third Amendment to Employment Agreement



Administrative Services Director
Stuart Schillinger



City Manager
Clay Holstine