



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: June 5, 2012

TO: Mayor and Councilmembers

FROM: City Administrator's Office

SUBJECT: Introduction Of Ordinance For Supervisors Memorandum Of Understanding (MOU), Management Salary Plans, And Cancellation Of Fiscal Year 2012 Furlough Deductions For Certain Employee Groups

RECOMMENDATION:

That Council, introduce and subsequently adopt, by reading of title only, An Ordinance of the Council of the City of Santa Barbara Adopting the 2012-2013 Supervisors MOU; Adopting the 2012-2013 Management Salary Plans for Unrepresented Non-Safety Managers, including the City Administrator and the City Attorney, and for Certain Unrepresented Safety Managers; and Cancelling Three Pay Periods of Fiscal Year 2012 Furlough Deductions for these Supervisors and Managers, and for Confidential Employees.

EXECUTIVE SUMMARY:

The City has reached agreement with the Supervisors bargaining unit for a new one-year labor agreement (Memorandum of Understanding, or "MOU"), in accordance with the parameters set by Council. For the first time in three years, the agreement does not include furloughs or other temporary wage and benefit concessions. The agreement does not provide for salary increases, but provides for certain changes to benefits. It will result in increased one-time labor costs in Fiscal Year 2012 and Fiscal Year 2013, but will not result in an ongoing increase to net labor costs. The recommended management plans contain provisions similar to that for Supervisors. However, these plans will result in net ongoing labor cost savings to the City.

As an incentive for reaching agreement before the expiration of the current Supervisors MOU, and given available revenues to do so, negotiators agreed to cancel the three remaining Fiscal Year 2012 furlough deductions. It is recommended that this be extended to unrepresented managers and confidential employees as well.

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DISCUSSION:

During Fiscal Years 2010, 2011 and 2012, managers and supervisors participated in labor concessions. These consisted of temporary unpaid furloughs (leave without pay), relinquishment of vacation cash-out rights, and other temporary reductions in salaries and benefits. Concessions also included the cancellation of a 1.5% approved management salary increase in Fiscal Year 2010 (3% for unrepresented Safety Chiefs) that the employees that they manage received. The concessions reduced labor costs that the City would otherwise have incurred by the following percentages.

Unit	FY 10	FY 11	FY 12
Non-Safety Mgrs & Sworn Execs	-8.75%	-8.75%	- 6.75%
Supervisors	- 6.0%	- 5.0%	- 5.0%

Combined with concessions from other labor groups, the City saved approximately \$13,450,753 over the three fiscal years, with \$8,747,899 of the savings accrued to the General Fund. The concessions were critical to the City in avoiding layoffs and more significant reductions in services during the early years of the economic crisis.

The Supervisors MOU expires on June 30, 2012, and negotiators have reached an early agreement for a new one-year MOU that does not include furloughs or other temporary concessions, but also does not permanently increase labor costs. The membership of the bargaining unit is expected to ratify the agreement in advance of today's meeting. The management salary plans for unrepresented managers also expire on June 30, 2012, and new one-year plans are recommended with terms similar to the Supervisors. However, due to the higher value of the vacation cash-out benefit that will be permanently cancelled, these management plans would actually result in net ongoing savings to the City.

Supervisors MOU

The agreement with Supervisors is for one year, expiring on June 30, 2013. The following are the major provisions of the agreement.

- The three remaining furlough deductions in Fiscal Year 2012 will be cancelled, without a corresponding reversal of the hours employees have already taken. This was offered as an incentive for early agreement.
- The annual vacation cash-out benefit will be permanently discontinued.
 - A final one-time vacation cash-out of up to 40 hours will be offered to employees with more than 200 hours of vacation accrual on the books, and to the extent that such employees do not elect to exercise that cash-out right, the one-time savings will be distributed to all supervisors on a per capita basis.
 - The vacation accrual cap will be raised by 40 hours.

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- The cafeteria plan allowance (for the purchase of health insurance) will be increased by \$116 per month effective July 1, 2012.
- The Harbor Patrol Supervisor will continue to contribute 3% toward his PERS benefit;
- The City may reopen negotiations for second tier retirement for new hires in January 2013, on the same time schedule as the reopener with the Treatment and Patrol bargaining unit.
- If the City elects to close during the 2012 holiday season as a productivity or cost-saving measure, employees who do not work will need to use their own leave banks or take unpaid leave to cover the time.

The agreement includes other miscellaneous changes, including small changes to leave use rules and an agreement to implement a savings plan for employees to save for their own retirement healthcare costs.

Although this agreement does not increase ongoing total compensation, because of the cancellation of the temporary furlough, employees will still see an increase in their take-home pay next year. The agreement also includes a “me too” clause whereby, if the City increases compensation for General Unit employees in Fiscal Year 2013, Supervisors will also receive an equivalent increase.

Management Salary Plans

The management plans are also effective for one year. The management plan for non-safety managers (Management Salary Plan 1) includes provisions similar to the Supervisors’ agreement.

- The three furlough deductions will be cancelled.
- The annual vacation cash-out benefit will be permanently discontinued; a final one-time vacation cash-out will be offered to all managers, and to the extent that such employees do not elect that cash-out right, the one-time savings will be distributed to all managers on a per capita basis; and the vacation accrual cap will be raised by 40 hours.
- The cafeteria plan allowance (for the purchase of health insurance) will be increased by \$116 per month effective six months later than Supervisors, in January 1, 2013.

Because managers’ use of the vacation cash-out was almost double that of supervisors, the City will actually achieve ongoing net labor cost savings of approximately 1.4% from this plan. This savings is in addition to the savings from the cancellation of an approved 1.5% salary increase in Fiscal Year 2010 that has never been restored for managers, but which Supervisors and General employees received.

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Under the applicable employment contracts, changes to health and welfare benefits applicable to executive management are also applicable to the City Administrator and the City Attorney.

The Police and Fire Chiefs, and the Deputy Police Chief and Fire Operations Division Chief will also be subject to similar provisions as listed above (Management Salary Plan 2). The Fire Prevention Division Chief and Fire Battalion Chiefs have not been included in this group since they are in the process of filing a petition to be represented in negotiations with the City by a newly formed Fire Management Association.

As with the non-safety managers, savings from the elimination of the vacation cash-out for these safety managers will significantly exceed the cost to increase the cafeteria plan. These managers will also continue to pay approximately 3% toward their PERS benefit, which they were not required to do prior to the need for labor concessions. Also, the approved 3% salary increase for this group of managers was cancelled in Fiscal Year 2010 and has never been restored. Other safety managers (Fire Battalion Chief and members of the Police Management Association) received a 3% salary increase in Fiscal Year 2010.

It is likely that staff will have further recommendations related to the safety managers covered by Management Salary Plan 2, following the conclusion of ongoing negotiations with Police Management Association and potentially a newly formed Fire Management Association.

Cancellation of Furlough Deductions

The pay cut from the Fiscal year 2012 unpaid furlough was originally spread across 26 total pay periods to mitigate the impact on employee take-home pay. As mentioned above, the agreement with Supervisors includes cancellation of the three remaining Fiscal Year 2012 furlough deductions, which was offered as an incentive for this early agreement. The same relief from furlough deductions is recommended for unrepresented managers with the adoption of the salary plans. Most employees have taken the required furlough time off, so there will not be a related adjustment to furlough hours.

The same incentive for early agreement has been offered as an option to the General bargaining unit. Despite the availability of this incentive and additional hours spent negotiating, this group has not yet reached agreement. However, there is still the potential for General employees to achieve the cancellation of one or more pay periods of furlough deductions if agreement is reached by mid-June.

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Staff recommends extending the cancellation of the full three furlough deductions to the City's non-supervisory Confidential employees who are not represented by a bargaining unit and, therefore, not able to influence the timing of negotiations. As is traditional, final recommendations on pay and benefits for Confidential employees will occur following negotiations with the General bargaining unit.

Labor Cost Changes

The net costs of these labor agreements are as follows:

ALL FUNDS	FY 2012	FY 2013	ONGOING
Supervisors	\$ 39,390	86,462	427
Confidential Supervisors	844	2,803	(70)
Managers	34,896	(25,255)	(134,188)
Safety Chiefs	337	(25,059)	(12,929)
Confidential	14,669	42,832	369
TOTAL	\$ 90,136	\$ 81,783	(\$ 146,391)

However, since the agreements discontinue an unbudgeted labor cost (vacation cash-out) in favor of budgeted labor costs (health benefit increases), the budgetary impact will be different than the net cost of the agreements as shown above. The budgetary impact is reflected in the "Budget/Financial Information" section, below.

BUDGET/FINANCIAL INFORMATION:

The Citywide budget impact of the combined actions recommended herein, and the estimated budget impact of pending negotiations, is as follows:

	FY 2012	FY 2013	ONGOING
All Funds			
Completed Negotiations	\$ 90,136	140,351	208,538
Pending Negotiations	200,000	200,000	200,000
TOTAL	\$ 290,136	\$ 340,351	\$ 408,538
General Fund Only			
Completed Negotiations	\$ 55,689	72,905	126,591
Pending Negotiations	100,000	100,000	100,000
TOTAL	\$ 155,689	\$ 172,905	\$ 226,591

The above estimated costs for pending negotiations are subject to the negotiations process and will be finalized at the conclusion of negotiations.

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The Fiscal Year 2012 costs above related to the cancellation of the furlough savings will be absorbed by each department's budget. As needed, additional appropriations will be requested with the close of Fiscal Year 2012.

As in prior fiscal years, the anticipated cost for the final vacation cash-out is not proposed to be appropriated in the Fiscal Year 2013 budget. To cover the Fiscal Year 2013 ongoing health benefit costs for the General Fund, staff recommends using \$172,905 in available Workers' Compensation reserves. Sufficient funds are available in each of the enterprise fund operations to cover these costs. The Fiscal Year 2013 budget that will be presented to Council for adoption on June 19, 2012 will include these additional appropriations for each of the City's funds.

PREPARED BY: Kristine Schmidt, Employee Relations Manager

SUBMITTED BY: Marcelo López, Assistant City Administrator

APPROVED BY: City Administrator's Office