



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: May 7, 2013

TO: Mayor and Councilmembers

FROM: City Administrator's Office

SUBJECT: Introduction Of Ordinance For Fire Management Memorandum of Understanding

RECOMMENDATION: That Council:

- A. Ratify the Memorandum of Understanding between the City of Santa Barbara and the Santa Barbara Fire Managers Association for the period of July 1, 2012, through June 30, 2015, by introduction and subsequent adoption of, by reading of title only, An Ordinance of the Council of the City of Santa Barbara Adopting the 2012-2015 Memorandum of Understanding Between the City of Santa Barbara and the Santa Barbara Fire Managers Association;
- B. Adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara For Paying and Reporting the Value of Employer-Paid Member Contributions for Certain Fire Management Association Employees Effective January 12, 2013;
- C. Adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara For Paying and Reporting the Value of Employer-Paid Member Contributions for Certain Fire Management Association Employees Effective June 29, 2013;
- D. Adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara For Paying and Reporting the Value of Employer-Paid Member Contributions for Certain Fire Management Association Employees Effective January 11, 2014; and
- E. Adopt, by reading of title only, A Resolution of the Council of the City of Santa Barbara For Paying and Reporting the Value of Employer-Paid Member Contributions for Certain Fire Management Association Employees Effective January 10, 2015.

EXECUTIVE SUMMARY:

This action will ratify the first labor agreement between the City and the newly recognized Fire Managers Association, covering five employees. The agreement term is for three years, through June 30, 2015, and will result in a reduction in ongoing City labor costs of \$4,349 per year, or about 0.5%. Under the agreement, employees will gradually increase

their contributions toward their pension benefits to 9% of compensation. The pension contributions will be partially offset by salary and benefit increases. The California Public Employees Retirement System (CalPERS) requires adoption of a separate resolution for each pension contribution change.

DISCUSSION:

Background

On April 20, 2012, the City received an initial request for formal recognition of the Santa Barbara City Fire Managers Association (FMA) as outlined in Santa Barbara Municipal Code Chapter 3.12 governing the City's Employer-Employee Relations. The FMA presented a copy of its constitution and by-laws currently in effect, and evidence of the majority support of the approved membership, and was duly recognized by the City as the majority representative of the Fire Managers bargaining unit. The new bargaining unit covers five employees in the management classifications of Fire Battalion Chief and the Prevention Fire Division Chief. It does not include the Fire Chief or the Suppression Fire Division Chief (formerly the Deputy Fire Chief).

Subsequently, as required by state law, the City entered into "meet and confer" negotiations with the new bargaining unit with regard to changes to the terms and conditions of employment. After several months of discussions without reaching agreement, the City issued its last, best and final offer to the FMA for a three-year agreement, with an alternative one-year offer on less favorable economic terms.

On April 19, 2013 the FMA and City Negotiators reached a tentative agreement on terms substantially similar to the City's three-year last, best and final offer. The tentative agreement was ratified by the FMA membership on April 24, 2013.

Summary of Agreement

The new three-year labor agreement is effective retroactive to July 1, 2012, and incorporates various status quo wage and benefit provisions for these employees that were previously contained in the Management Performance and Compensation Plan, applicable Management Salary Plan, and the Santa Barbara Municipal Code.

Changes to the terms and conditions of employment that were negotiated and incorporated into the document include:

- Full compliance for new members of the CalPERS pension plan with the Public Employees' Pension Reform Act of 2013 (CPEPRA);
- Increased employee contributions toward pension benefits for existing ("Classic") CalPERS members so that, by the end of the agreement, the employee will be paying a 9% member contribution (these employees have been paying the equivalent of 2.25% under a previous agreement, but that was set to expire in June 2013);

- Discontinuance of the “roll-up” benefit, which consisted of reporting Employer Paid Member Contributions (EPMC) to CalPERS as additional compensation, in the last year of the agreement;
- Salary increases of 7.5% over the term of the agreement that will partially offset employee pension contributions, with a reopener on negotiations over a possible additional salary increase in January 2015;
- A \$116 per month increase to the cafeteria plan allowance for health benefits that is funded through the permanent elimination of 40 hours of management leave.
- New caps on accruals of sick leave for all employees, and on holiday time for new employees;
- Restoration of Fiscal Year 2013 holiday and personal leave that was temporarily reduced as a concession under the former Management Salary Plan; and
- An increase to pay for compensable overtime, currently paid at straight time, to a premium of 110% of straight time pay when assigned to backfill for another employee’s shift (administrative overtime is still unpaid).

This agreement will reduce the City’s ongoing total compensation costs for this group by about 0.5% by the end of the agreement versus the status quo. However, since employees are still making a previously implemented temporary concession and because part of the City’s saving relate to the elimination of a “roll-up” benefit not received by employees until retirement, the net effect to employees’ take home pay will be a slight increase.

Compaction and Overtime

City HR staff has long recognized significant compaction issues for Battalion Chief compensation when compared to lead Fire Captains, who are represented by the Firefighters Association. For the several years before the recession, compensation increases granted to Firefighter union members exceeded those for unrepresented fire managers. In addition, Captains earn overtime at time and one half, and have significantly more available overtime than Battalion Chiefs due to constant staffing. The lower salary increases for management coupled with greater overtime earning opportunities for non-management have led to the compensation of many Captains exceeding the compensation of the Battalion Chiefs who manage them. This becomes a problem in enticing employees to promote to management and leads to morale issues. This is true even though these managers are paid well in comparison to similar positions in comparable agencies.

The increase to a 110% premium for overtime of this group is designed to be as step toward addressing the compaction issue. The Fire managers are the only City managers eligible for non-emergency overtime pay. They are currently eligible for overtime at straight time when covering the absence of another Battalion Chief in order to comply with constant staffing requirements. An analysis by staff about how compaction is addressed in other agencies showed that many comparable agencies pay their Shift Battalion Chiefs overtime at a premium.

PERS Pension Contributions

Until recent years, in addition to paying its own CalPERS employer pension contributions, the City paid police and fire safety employees' required member contributions on the employees' behalf. However, required City pension contributions have increased steadily, significantly exceeding what was anticipated when the City agreed to enhance retiree benefits to the 3% at 50 formula a little over a decade ago. During the recent economic recession, safety employees agreed to temporarily share part of the cost of their pension benefits. During these negotiations, the City asked employees to begin to share permanently in these unexpected pension cost increases.

Since January 2011, Fire Management employees have been paying 2.98% of their pensionable earnings to CalPERS through a reporting mechanism allowed by CA Government Code Section 20516 (Section 20516). Paying under Section 20516 preserved the employee's "roll-up" benefit. In preserving that benefit it provided savings to the City roughly equivalent to employees paying 2.25% of the member contribution. This is schedule to expire in June 2013.

Under the new agreement, not only will employee pension contributions continue, but they will increase over time. Effective retroactive to January 2013, in addition to the 2.98% contribution under Section 20516, employees will also pay 2.25% toward the member contribution. When the Section 20516 contributions expire in June 2013, employee member contributions will increase by another 2.25%, to 4.5% total. These contributions will increase again by 2.5% in January 2014 and by 2% on January 2015, so that by the end of the agreement employees will pay their full 9% member contribution on their own behalf.

Salaries and Other Benefits

Over the three year period, permanent contributions to pensions will be partially offset by salary increases.

<u>Effective Date</u>	<u>Increase</u>
July 14, 2012	2.0%
January 12, 2013	1.0%
January 11, 2014	2.5%
January 10, 2015	2.0%

There is a reopener in the final year to discuss a possible additional increase in January 2015. This was offered due to FMA's interest in having such discussions in the event that more generous compensation terms are negotiated with other safety bargaining groups over the next few years. Whether there will actually be an additional increase will depend on negotiations between the City and the FMA at that time.

Employees will also receive a \$116 per month increase in the cafeteria allowance for health benefits effective January 2013, the cost of which will be fully offset through the overtime savings achieved through the elimination of 40 hours of paid management leave.

The agreement calls for the restoration of 40 hours of Fiscal Year 2013 holiday and personal leave time that was temporarily reduced as a concession under the old Management Salary Plan. New caps of 2160 hours will be placed on accruals of sick leave for all employees. In addition, for new employees, the department will be able to cash out accrued holiday hours in excess of 120 to keep these accrued leave banks down.

BUDGET/FINANCIAL INFORMATION:

Overall, this three year agreement will reduce the City's compensation costs for this group by approximately 0.5% versus the status quo. This will result in ongoing savings to the City of \$4,349 per year.

Since a portion of the City savings from employee pension contributions were already known and budgeted in FY 2013, but offsetting costs were not, there will be an estimated unbudgeted cost of \$10,000 in the current year. If, by year-end, these costs are not able to be absorbed by the existing Fire Department budget, additional appropriations will be requested to cover these costs..

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SUBMITTED BY: Marcelo Lopez, Assistant City Administrator

APPROVED BY: City Administrator's Office