



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** September 17, 2013

**TO:** Mayor and Councilmembers

**FROM:** City Administrator's Office

**SUBJECT:** Memorandum Of Understanding With Police Unit

**RECOMMENDATION:** That Council:

- A. Ratify the Memorandum of Understanding between the City and the Santa Barbara Police Officers' Association by introduction and subsequent adoption of, by reading of title only, An Ordinance of the Council of the City of Santa Barbara Adopting A Memorandum of Understanding Between the City of Santa Barbara and the Santa Barbara Police Officers' Association for the period of July 1, 2013, through June 30, 2016;
- 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 Sworn Police Officers' Association Employees Effective July 27, 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 Sworn Police Officers' Association Employees Effective July 12, 2014; and
- 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 Sworn Police Officers' Association Employees Effective July 11, 2015.

**EXECUTIVE SUMMARY:**

City staff and Police union negotiators have reached a tentative agreement for a new three-year Memorandum of Understanding (MOU), consistent with the authority provided to City staff negotiators by the City Council. The agreement would provide for full payment by sworn employees of the 9% member contribution under the California Public Employees Retirement System (CalPERS) by the end of the three-year term. The agreement also includes salary increases of 5% for sworn employees and 3.5% for non-sworn employees, and other salary and benefit adjustments.

**DISCUSSION:**

After reaching an impasse in negotiations on August 2, 2013, negotiators from the City and the union engaged in a mediation session on August 29, 2013. The result of these productive discussions with the mediator was a proposed three-year agreement supported by negotiators from both parties. The agreement is consistent with the authority provided to negotiators by the City Council and will extend through June 30, 2016. The agreement was ratified by the membership of the Police Officers Association (POA) on September 10, 2013.

Retirement

A key issue in the negotiations was safety employee contributions toward the statutorily required 9% member contribution to CalPERS. The City had paid this contribution for many years on behalf of employees. However, with escalating CalPERS employer rates over the last several years, the City and most other employers around the state have been asking employees to contribute this member contribution on their own behalf. To put the issue into context, after the 3% at age 50 benefit formula enhancement was adopted in 2002, the City's Police Safety employer rate climbed from a historic low of 2.446% of employee compensation to 35.163%. Based on CalPERS's projections, it is expected to continue to climb to 48% by Fiscal year 2020.

In 2010, City safety employees agreed to temporarily pay a contribution toward their own pensions. As part of the new agreement, the employee contribution will increase from 2.266% of salary to 3% of salary in July 2013, then increase to 6% in July 2014, and by July 2015 safety employees will be paying the full 9% member contribution on their own behalf.

The agreement also includes language memorializing changes to retirement applicable to "new members" under the City's pension plan, as established under the California Public Employees' Pension Reform Act of 2013.

Salary Increases

Police employees received salary increases (4.5% sworn and 2.5% non-sworn) in Fiscal Years 2012 and 2013 that most other bargaining groups did not receive. Under the proposed agreement, employees will also receive the following across-the-board salary increases.

Date	Sworn Increases	Non-Sworn Increases
July 12, 2014	2.0%	1.5%
July 11, 2015	3.0%	2.0%

Based on consideration of the increased scope of responsibility and accountability for the civilian Police Records Supervisor Classification related to the recent elimination of

the civilian Police Records Manager, and an analysis of internal salary equity by the Human Resources Office, the base salary for that classification will be adjusted by 16% in September 2013.

#### Medical and Dental Insurance

In this agreement, the City has agreed to increase the City's contribution toward family dental insurance for sworn employees by \$40 per month in January 2015; to increase contributions by \$40 per month toward family medical in January 2016 for employees in the PPO plan that is coordinated with Health Reimbursement Account (HRA); and to match employee contributions to a Health Savings Account (HSA) by up to \$50 per month effective January 2015 (sworn only) and up to \$75 per month effective January 2016 (sworn and non-sworn) for those employees enrolled in a HSA-coordinated PPO plan.

Since there is so much uncertainty about health care related to the full implementation of the Affordable Care Act, the agreement includes a reopener in the event of major plan structure changes, so that the City and the POA can negotiate an alternative City contribution structure that will maintain the same total City contribution for bargaining unit members.

#### Other Changes

The new agreement will not include the reinstatement of the vacation cash-out benefit, which had been eliminated as an economic concession during the financial downturn, but there will be two final 40-hour cash-out opportunities (80 hours total) in Fiscal Years 2014 and 2015, and the vacation accrual cap will be raised by 40 hours, to 320 hours maximum.

To discourage the unnecessary use of sick leave, the City provides an existing benefit to convert unused sick leave time at retirement to a private annuity using a formula based on the employee's retirement formula. Historically, the City has capped this benefit for sworn employees so that a safety employee's PERS retirement benefit plus this sick leave benefit does not exceed 90% of final pay. Staff has found that most employees choose to retire a year or so before they have 30 years of service, when they would reach the 90% cap, in part to avoid losing this benefit. As part of this agreement, the City will no longer reduce or eliminate this benefit simply because a police officer chooses longer service. To the extent that they stay employed longer, the purchase cost of the annuity to the City may actually be lower; it is less expensive to buy an annuity for an older person than a younger person. This is not a PERS benefit, so there is not a direct impact on the PERS retirement plan. There may be indirect positive or negative actuarial impacts to the PERS Police Safety Plan related to an employee's longer service, but this is not expected to be significant.

The City has agreed to allow employees to pre-schedule up to 80 hours from their accrued holiday banks during the Police Department's annual vacation sign up process. Employees will also be eligible for 3 hours of straight time pay if a scheduled overtime detail is cancelled within 8 hours of its scheduled start time. Agreements related to the grievance procedure, the Non-discrimination and Harassment Policy, employee use of City resources will be incorporated into the agreement. Administrative changes and updates will also be included.

### Costs/Savings

The agreement includes the continuation of previous employee concessions that would otherwise have expired. This includes continuation of the 2.266% employee contribution toward pensions and the elimination of the annual vacation cash out. The continuation of these concessions indefinitely will save the City \$514,469 on an ongoing basis each year versus not continuing these concessions. The continuation of these concessions is already included in the Fiscal Year 2014 adopted budget.

New agreements, including the 6.734% increased employee contributions toward pension costs, the salary increases, two one-time vacation cash-out opportunities, and increases to benefits, will result in net one-time costs in Fiscal Year 2014 of \$190,119 and in Fiscal Year 2015 of \$122,325, but will level off thereafter to approximately no net increase to ongoing costs.

### **BUDGET/FINANCIAL INFORMATION:**

This package will increase General Fund labor costs, above the adopted budget, by an estimated \$27,489 in Fiscal Year 2014, of which \$17,426 (\$24,000 annualized) will be ongoing costs for the Records position salary adjustment discussed above. The estimated costs do not include the one-time vacation cash-out opportunity this year, estimated to cost \$288,415.

The Fiscal Year 2014 costs will be absorbed by the Police department's budget as much as possible. As needed, additional appropriations will be requested later in the fiscal year.

**PREPARED BY:** Kristine Schmidt, Employee Relations Manager

**SUBMITTED BY:** Marcelo Lopez, Assistant City Administrator

**APPROVED BY:** City Administrator's Office