



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: November 23, 2010

TO: Mayor and Councilmembers

FROM: City Administrator's Office

SUBJECT: Adoption Of 2010-2013 Police Memorandum Of Understanding

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, 2010 through June 30, 2013; and
- 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 and Rescinding Resolution No. 99-114 Insofar as it Applies to PERS Police Safety Plan Members of the Santa Barbara Police Officers Association.

EXECUTIVE SUMMARY:

The City's labor agreement with the Santa Barbara Police Officers Association (POA) expired on June 30, 2010 and after prolonged negotiation, impasse, and unsuccessful mediation, the parties finally reached agreement for a new three-year labor agreement that will avoid the need for the City to consider unilaterally imposing its one-year last, best, and final offer.

Like the recent agreement with the firefighters union, this agreement includes both temporary concessions and ongoing salary and benefit increases. Under the agreement:

- Employees have agreed to temporarily share the cost of their pensions. Effective January 1, 2011, Employees will pay 3.5% of the 9% required member contribution. This amount will be reduced to 3% in June 2011. In September 2011, following a PERS contract amendment, the contribution will be changed to a 3% employer side contribution (equivalent to about 2.67% of the member contribution) which will continue until June 2013, unless extended by agreement.

- Employees will also have their uniform allowance suspended for one and one half years.
- All sworn and non-sworn employees, except dispatchers and parking enforcement officers will take 12 hours of unpaid furlough in each of the first two years.
- Dispatcher & parking enforcement officers will relinquish 36 hours of paid holiday time in the first year, and 12 hours in the second and third years, which will save the City in overtime costs and in regained parking revenue.
- Employees will not be eligible to cash out vacation or holiday time in all three years

Increases under the agreement will be as follows:

- Employees will receive family medical benefit cap increases of \$50 in January 2011, \$50 in January 2012, and \$75 in January 2013.
- Sworn employees will receive salary increases totaling 4.5% during the term of the agreement, 0.5% in October 2011, 1% in January 2012, 1.5% July 2012, and 1.5% in January 2013.
- Non-sworn employees will receive salary increases totaling 2.5% during the term of the agreement: 0.5% July 2012 & 1% in January 2013, 1% June 2013.
- The City may reopen negotiations to reconsider these salary increases upon the declaration by the City Council of a fiscal emergency or a financial windfall.

The agreement will result in reduced net labor costs in Fiscal Year 2011 of \$945,239 (equivalent to about -5% salary) and \$778,591 (equivalent to about -4%) in Fiscal Year 2012. In Fiscal Year 2013 net labor costs will increase by a modest \$18,924 (equivalent to about 0.10%). At the end of Fiscal Year 2013 the temporary labor concessions will expire, leading to an ongoing labor cost increase of \$1,061,369 (+5.4%) in subsequent years.

DISCUSSION:

The City's labor agreement with the Santa Barbara Police Officers Association (POA) expired on June 30, 2010. Prolonged negotiations to develop a successor agreement were unsuccessful and the parties reached impasse. Efforts to resolve the impasse through voluntary mediation were also unsuccessful. At primary issue was the City's position that members of the Police Union should take temporary labor concessions, similar to those agreed to with other bargaining units, in order to help the City address its Fiscal Year 2011 budget shortfall.

Finally, City and union negotiators reached a tentative agreement for a new 3-year labor agreement that avoided the need for the City to consider imposing its one-year last, best, and final offer. The union membership ratified the agreement on October 27, 2010.

PERS cost-sharing

Under the agreement, employees will participate in California Public Employees Retirement System (PERS) retirement cost-sharing. There are three ways to accomplish employee retirement cost-sharing according to PERS staff:

- One is for the employee to contribute toward the 9% PERS member contribution. This reduces both the City EPMC (employer paid member contribution) and the cost of the PERS-on-PERS roll-up benefit, under which the City reports the EPMC to PERS as additional compensation for retirement calculation purposes. Of the three methods, this method requires the lowest employee contribution to achieve similar City savings and can be applied to different bargaining units separately. However, this negatively affects the employee's retirement calculation by reducing the reported single highest year of compensation.
- The second way is for employees to reimburse the City directly for part of the cost of the 2001 3% at 50 benefit enhancement, as contemplated under state Government Code Section 20516(f). This does not affect the PERS-on-PERS roll-up benefit, but must be done on a post-tax basis and must be done completely outside of the PERS retirement system. Because the PERS-on-PERS roll-up benefit is not affected, in order to achieve similar City savings, employees must contribute a higher percentage amount than under the first method to achieve the same City savings.
- The third way is to share part of the cost of the 2001 3% at 50 benefit enhancement by amending the PERS contract pursuant to Government Code Section 20516(a), which reduces the City's required employer contribution. The advantage to employees of using this method is that it does not affect the PERS-on-PERS roll-up benefit, the contributions can be made on a pre-tax basis, and contributions are credited to the member's account and refundable in the event the member does not retire under the PERS system. As with the second method, in order to achieve similar City savings, employees must contribute a higher percentage amount than under the first method.

Under this MOU, employee cost-sharing will at first be accomplished through the first method outlined above, contributing toward the 9% PERS member contribution. Effective January 1, 2011, sworn employees will pay 3.5% of earnings toward the 9% required member contribution and the City will pay 5.5% in employer paid member contributions (EPMC). Effective June 18, 2011, sworn employees will pay 3.0% of earnings toward the 9% required member contribution and the City will pay 6% in employer paid member contributions (EPMC). The full 9% EPMC will be restored effective September 24, 2011.

Then effective September 24, 2011, cost sharing will be accomplished through the third method outlined above, a PERS contract amendment under the Government Code Section 20516(a). Employees will pay 3.0% of earnings toward the employer rate, which saves the City an amount equivalent to a payment of about 2.67% of the member contribution. This will require a member election of participants in the City's Police Safety PERS plan, and agreement with the other affected bargaining units under this plan (Police Management and Harbor Patrol employees). If for some reason cost-sharing via or PERS contract amendment cannot be accomplished (such as if the member election fails to approve the contract amendment or if other bargaining units will not agree, cost-sharing will be accomplished through the second method outlined above,) payment directly to the City as contemplated under CA Government Code Section 20516(f).

Staff will return to Council with the necessary documents to hold the PERS election and modify the PERS Police Safety contract.

Other Concessions

Employees will have their uniform allowance suspended for one and one-half years. Uniform allowances are \$1,038-\$1,238 per year for sworn employees and \$836 per year for non-sworn employees.

All sworn and non-sworn employees, except dispatchers and parking enforcement officers will take 12 hours of unpaid leave (furlough) in each of the first two years of the agreement. Furlough time for these employees will be scheduled throughout the year, similar to vacation or holiday scheduling. Furloughing dispatchers does not save the City money, since these positions need to be backfilled at overtime if they are off for a day. Furloughing parking enforcement officers also does not save the City money, since the loss of parking ticket revenue is greater than the salary savings. Instead, dispatchers & parking enforcement officers will relinquish 36 hours of paid holiday time in the first year, and 12 hours in the second and third years, which will save the City in backfill overtime costs and in regained parking ticket revenue.

As with other employee groups throughout the City, employees will not be eligible to cash out vacation or holiday time in all three years. Employees will still be eligible to use their vacation and holiday time as paid time off.

BUDGET/FINANCIAL INFORMATION:

The agreement will result in reduced net labor costs in Fiscal Year 2011 of \$945,239 Citywide with \$940,322 of that in the General Fund. The adopted Fiscal Year 2011 budget for the Police Department assumed \$1,168,518 in estimated General Fund labor savings from this group. Mid-year budget adjustments will be recommended as part of the normal mid year budget cycle to close that gap, as needed.

In Fiscal Year 2012 the agreement will save the City \$778,591 Citywide with \$774,198 of that in the General Fund. In Fiscal Year 2013 net labor costs will increase by a modest \$18,924 Citywide, with about \$18,534 in the General Fund.

At the end of Fiscal Year 2013 the temporary labor concessions will expire, leading to an ongoing labor cost increase of \$1,061,369 Citywide in subsequent years, with \$1,055,221 of that in the General Fund.

PREPARED BY: Kristine Schmidt, Employee Relations Manager

SUBMITTED BY: Marcelo Lopez, Assistant City Administrator

APPROVED BY: City Administrator's Office

