



CITY COUNCIL AGENDA REPORT

MEETING DATE: August 4, 2009

ITEM NUMBER: Item Number

SUBJECT: ADOPT RESOLUTIONS OF THE CITY COUNCIL INCLUDING SIDE LETTER AGREEMENTS AND IMPLEMENT A MANDATORY FURLOUGH PLAN FOR FULL-TIME EMPLOYEES AND REDUCE COMPENSATION FOR PART-TIME EMPLOYEES

DATE: JULY 23, 2009

FROM: ADMINISTRATIVE SERVICES DEPARTMENT/HUMAN RESOURCES DIVISION

PRESENTATION BY: STEPHEN N. MANDOKI, ADMINISTRATIVE SERVICES DIRECTOR

FOR FURTHER INFORMATION CONTACT: STEPHEN N. MANDOKI (714) 754-5069

RECOMMENDATION:

1. Adopt Resolution Number 09 - _____ (Attachment I) establishing and implementing mandatory furloughs and changes to employee benefits for the represented employees in the Costa Mesa City Employees Association, Costa Mesa Police Management Association and Costa Mesa Police Association.
2. Adopt Resolution Number 09 - _____ (Attachment II) establishing and implementing mandatory furloughs and changes to employee benefits for un-represented employees in the Unrepresented Executives and Confidential groups.
3. Adopt Resolution Number 09 - _____ (Attachment III) implementing a 5% salary range reduction for part-time job classifications.
4. Approve Budget Adjustment BA 10-004 (Attachment IV) for \$567,000 to appropriate funds to the various City departments for the above-listed salary and benefit adjustments.

BACKGROUND:

During the mid-year budget review in February 2009, staff reported on several significant economic factors that have impacted the development of the City's financial plan for fiscal year 2009-2010. After compilation of all FY 2009-2010 departmental budget requests, the total appropriations exceeded the total estimated revenues by approximately \$19.9 million dollars. It was apparent that the proposed Operating Budget could not be balanced without some combination of significant spending reductions, concessions by employee associations, increased revenues and/or use of reserves. At the March 10, 2009 City Council Study Session, City Council received a presentation of the Meyers-Milias-Brown Act (MMBA) and Labor Management Relations pertaining to all represented employees. By law, wage concessions cannot be imposed by City/Management. They must be negotiated with employee associations

With the severity of the City's economic situation, the City Manager subsequently directed Department Directors to present additional cost reduction plans that would reduce proposed budget expenditures while minimally impacting City services and staffing levels.

The City Manager also initiated a Steering Committee, Financial Review Sub-committee, and Financial Solutions Sub-committee consisting of representatives from each of the employee associations and unrepresented employee groups. These groups were tasked with providing information to their members regarding the City's financial condition and gathering and presenting financial solutions to resolve and mitigate the City's deficit.

As a result of a thorough and comprehensive effort of the three committee's, during the April 14, 2009 City Council Meeting, the City Council was presented with a management budget strategy for adoption. Specifically, Staff attained direction from City Council on a "ten point" budget strategy comprised of ten elements consisting of a mix of operating budget reductions, revenue increases, reductions in employee compensation and benefits and a limited use of reserves.

With labor costs representing a significant portion of the City's operating budget, it was necessary and appropriate to work with the employee associations and unrepresented employee groups on opportunities for budget savings. Several of the "ten point" strategies would require concurrence with the employee associations in opening their respective Memorandums of Understandings (MOU).

ANALYSIS:

Based on discussions with the Council to establish employee participation, staff has been meeting with all of the City's employee associations and unrepresented employee groups to implement budget reductions which will result in savings in the upcoming fiscal year. Specifically, these discussions have focused on three (3) areas: (1) five percent (5%) salary reduction, (2) suspension of the Post Retirement Health Savings (RHS) Program, and (3) the CalPERS 2-Years Additional Service Credit option. At the City Council meeting of July 21, 2009 the process was initiated to provide "Two Years Additional Service Credit" option for eligible City employees. The parties have agreed to the following:

Costa Mesa Employees' Association (CMCEA)

1. 5% Salary Reduction through a Mandatory Furlough Plan – 104 hours of unpaid leave time off to be taken by August 28, 2010.
2. Suspension of the VantageCare RHS Program including the suspension of both the 1% contribution from employees and the 1% match deposited by the City on behalf of each employee. The Plan would be suspended for 26 pay periods.
3. The City will implement the CalPERS 2-Years Additional Service Credit option.
4. One (1) year contract extension.

Costa Mesa Police Association (CMPA) / Costa Mesa Police Management Association (CMPMA)

1. 5% Salary Reduction through a Mandatory Furlough Plan – 104 hours of unpaid leave time off to be taken by August 28, 2010
2. Suspension of the VantageCare RHS Program including the suspension of both the 1% contribution from employees and the 1% match deposited by the City on behalf of each employee. The Plan would be suspended for 26 pay periods.
3. The City will implement the CalPERS 2-Years Additional Service Credit option.

4. Limited amendment of the Cash Out of Vacation Leave provision until August 29, 2010

As of the printing of this Agenda Report, the employee associations are in the process of ratifying these agreements through formal negotiations. Because of the urgency of this matter, staff is presenting these Resolutions to the City Council for approval in advance of employee association ratification. The recommended Council action makes approval of the attached Resolutions contingent on final ratification by the membership of the employee associations.

Executive and Confidential employees will also be subject to the Mandatory Furlough Plan (excluding Battalion Chiefs and Deputy Fire Chiefs) and benefit reductions. In addition, salaries for unrepresented part-time employees will be reduced by 5%. Also at the printing of this Agenda Report, discussions between City representatives and the Fire Management are ongoing with the expectation of presenting a similar Resolution at the next scheduled City Council meeting.

Adoption of the Resolutions are necessary to execute the side letters for the above employee associations and include the implementation of the Mandatory Furlough Plan and suspension of the Post Retirement Health Program.

Recognizing that having each employee work 104 fewer hours will necessarily have some impact on service delivery, staff will make every effort to mitigate these impacts. This includes managing staffs' schedules so that the public is minimally affected.

ALTERNATIVES CONSIDERED:

Adopt the Resolutions and the budget strategies noted herein. Modify the budget strategies recommendations pursuant to City Council discussion, which will result in a change to the fiscal impact.

FISCAL REVIEW:

The agreements establishing mandatory furloughs with CMPA, CMPMA, CMCEA, Unrepresented Executive and Confidential groups and a 5% salary reduction of all part time employees will provide an annual savings to the City of approximately \$3.0 million. Since the effective date is after the start of the fiscal year, throughout the next 10 months the City will realize a savings of approximately \$2.5 million, with the remaining \$500,000 realized in the 2010-2011 fiscal year.

The suspension of the RHS plan will provide an annual savings to the City of approximately \$400,000. Since the effective date is after the start of the fiscal year, throughout the next 10 months the City will realize a savings of approximately \$333,000, with the remaining \$67,000 realized in the 2010-2011 fiscal year.

Since the annual savings of \$3.4 million (stated above) were included in fiscal year 2009-2010 Adopted Budget, the attached budget adjustment increases the budget by \$567,000 or the amount of savings the City will realize in the 2010-2011 fiscal year. Staff will include these savings in the fiscal year 2010-2011 budget, thereby reducing the budget from what it would otherwise be.

LEGAL REVIEW:

The City Attorney's Office has reviewed the attached documents and, where appropriate, approved them as to form.

CONCLUSION:

City Council approval is needed at this meeting so that staff can implement the agreed upon amendments to the existing employee group's Memorandum of Understandings and to implement the Mandatory Furlough Plan and temporarily suspend the RHS Program for represented and unrepresented employees; and reduce compensation for part-time employees.

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DISTRIBUTION: City Manager
City Attorney
Department Directors
Deputy City Clerk

ATTACHMENTS: I [080409 Resolution # 09 - _____ CMPA, CMPMA and CMCEA MOU Side Letters](#)
II [080409 Unrepresented Employees Resolution # 09 - _____](#)
III [080409 Part-Time Salary Resolution #09 – _____](#)
IV [Budget Adjustment BA #10-004](#)

File Name

Date

Time