



# *CITY COUNCIL AGENDA REPORT*

---

MEETING DATE: AUGUST 10, 2009

ITEM NUMBER:

**SUBJECT:** MEMORANDUM OF UNDERSTANDING (MOU) 2007-2013 WITH THE COSTA MESA FIREFIGHTERS ASSOCIATION (CMFA)

**DATE:**  
AUGUST 11, 2009

**FROM:** CITY MANAGER'S OFFICE, ADMINISTRATIVE SERVICES DEPARTMENT, FINANCE DEPARTMENT

**PRESENTATION BY:** ALLAN L. ROEDER, CITY MANAGER , STEVE MANDOKI, ADMINISTRATIVE SERVICES DIRECTOR

**FOR FURTHER INFORMATION CONTACT:** ALLAN L. ROEDER, CITY MANAGER AT (714) 754-5328

---

## **RECOMMENDATION:**

That the City Council approve the proposed Memorandum of Understanding (MOU) with the Costa Mesa Firefighters Association (CMFA).

## **BACKGROUND:**

At the City Council meeting of August 4, 2009, the City Council provided direction for staff to finalize the Costa Mesa Firefighters Association (CMFA) Memorandum of Understanding for 2007 – 2013 and directed that a special meeting be held, if necessary, prior to the next regular meeting to work on specific language of the MOU.

On August 4<sup>th</sup>, the City Council was presented with an overview of the initial meet and confer items as presented by CMFA. An update on the status of those items was also presented. Representatives of CMFA were in attendance and responded to questions from the City Council.

Unlike discussions with the City's other four labor organizations which centered on salary reductions/work furloughs; suspension of the Retiree Health Services Plan and initiation of a PERS Retirement Incentive offering, discussions with CMFA also addressed minimum manning provisions and the related issue of overtime. In response, CMFA presented City management with a comprehensive package of changes to the existing MOU. Those changes are summarized in the following:

- A. A "No layoff" provision for the term of the MOU.

**Status: Removed**

- B. Extension of the term of the MOU for a four-year period from July 2009 through July 2013.

**Status: Yes**

- C. Adjustment of salaries based on total compensation for the average total compensation of the existing benchmark survey agencies (Fountain Valley, Huntington Beach, Newport Beach, Santa Ana and the Orange County Fire Authority) for the beginning of each pay period that includes the following dates: July 1, 2010, July 1, 2011 and July 1, 2012.

**Status: The MOU would be amended as follows -**

***First Year of the Agreement - Effective the pay period that includes July 1, 2007, the City will adjust the monthly base salary for members of the Association by the average fair wage increase, utilizing the existing total compensation calculation. This results in an adjustment of 3.56% for the first year.***

***Second Year of the Agreement – The City will adjust salaries based upon the total compensation calculation set forth in Section 3.3 effective with the beginning of the pay period that includes July 1, 2008.***

***Third Year of the Agreement – There will be no salary adjustment during the third year of the agreement.***

***Fourth Year of the Agreement – There will be no salary adjustment during the fourth year of the agreement. However, if the City provides a salary adjustment for any other employee group, the City will adjust salaries based on the total compensation calculation set forth in Section 3.3 effective with the beginning of the pay period that includes September 1, 2010.***

***Subsequent Years of the Agreement – The City will adjust salaries based upon the total compensation calculation set forth in Section 3.3 effective with the beginning of each pay period that includes the following dates: September 1, 2011 and September 1, 2012.***

- D. Modification to the existing “financial hardship” language regarding the City’s ability to grant salary increases in the event of a 3% or greater decrease in the City’s leading revenue sources (Sales Tax, Property Tax and Transient Occupancy Tax). The modification includes language that precludes from consideration in the calculation of a “financial hardship” any new revenue sources that may be created and any increases in existing General Fund Reserve Accounts.

**Status: Existing language remained with the addition of the following sentence: This re-opener shall be limited solely to the subject of the mandated wage adjustment(s) described previously in this Section**

- E. Extension of the existing \$556 per month contribution to the employee's flexible benefit account (health insurance) for the four year term of the MOU.

**Status: "The City's contribution for the term of this contract is \$556 per month towards each employee's flexible benefit account."**

- F. Amendment of the existing CalPERS Retirement Plan for public safety retirement for CMFA members from the existing 3% @ 55 formula to the 3% @ 50 formula. In conjunction with this change in the retirement plan, the CalPERS additional two year service credit option would be offered to all eligible CMFA members with an enrollment date extending 2 weeks beyond the implementation of the 3% @ 50 formula.

**Status: City to agree to this as part of the entire MOU package.**

- G. Effective July 2009 through June 2010, each CMFA member would be responsible for 1% of their base salary towards satisfaction of the City's responsibility to pay retirement contributions to CalPERS on behalf of said CMFA member.

**Status: Agreed**

- H. Suspension of contributions by the employee and employer towards the Retiree Medical Program during the period from July 2009 to June 2010.

**Status: CMFA agrees to continue the suspension of the RHS if other employee groups have agreed to the suspension beyond September 1, 2010. In this case, CMFA agrees to continue applying the 1% employee contribution towards the payment of the enhanced retirement (if implemented).**

- I. Modification of the existing minimum daily staffing levels during the term of the MOU as follows (summarized):

**Status: Staffing levels would be addressed as follows –**

***PHASE I- Effective August 12, 2009, the minimum daily staffing level may be reduced from 32 to 30.***

***PHASE II- Effective on the date in which staffing levels reach 84 total personnel (excluding Battalion Chiefs) or the date in which the window period to elect the Additional Two Years Service Credit per Section 6.1 ends (whichever event occurs earlier), the minimum daily staffing level, as described above, shall be reduced from 32 to 28.***

***Starting with fiscal year 2010-2011, if the audited General Fund Total Revenues equal or exceed \$105 million, CMFA and the Fire Chief shall provide a written assessment to the City Manager of the operational impact of reduced manning and recommendations for filling positions left vacant due to retirements. The City Manager shall be responsible for making the final determination on filling these vacancies. For purposes of explaining***

***“General Fund Total Revenues” – this amount shall be the amount stated in the Comprehensive Annual Financial Report (CAFR) located in the “Fund Financial Statements” section, presented on the “Statement of Revenues, Expenditures and Changes in Fund Balance” shown as the “Total Revenues”.***

- J. Modification of the existing Certification Program/Monthly Award from fixed dollar awards to percentage awards. Proposed percentages reflect current fixed dollar amounts in relationship to salary.

**Status: The City agrees to change the Certification Program incentives from a flat dollar amount to a percentage of salary effective September 1, 2011.**

- K. Addition of an award for “Tiller Certification” to the Certification Program in the amount of .75% for designated classifications.

**Status: *The City is willing to discuss a bonus or percentage incentive or certification pay for employees who are, or will, become Tiller Certified at such time as the new apparatus is delivered.***

### **ANALYSIS:**

The proposed MOU before the City Council has implications that are both financial and operational in nature. The issues focus not only on salary and benefit reductions but minimum staffing and overtime as well. The financial components of the proposed MOU are significant in terms of the financial savings that will be produced.

Exhibit B provides a detailed review of the fiscal impact, estimated savings and net fiscal impact of the proposal over the four-year term of the MOU. The proposal provides for estimated salary savings over the four year term of \$5.4 million dollars and estimated savings of \$3.09 million dollars over the same term.

The primary savings involve vacancies created by the Early Retirement Incentive Plan (12 positions) in conjunction with the 3% @ 50 Benefit Enhancement, modification of the minimum daily staffing and the ability to reduce overtime. The Early Retirement Incentive and 3% @ 50 Benefit Enhancement creates the opportunity for twelve vacancies at an annual savings of \$1,800,000. The reduced daily staffing level removes the need to fill the 12 vacancies along with the need to fill those vacancies with overtime.

As noted earlier, CMFA is proposing a four year term for the MOU. During that timeframe, the existing terms pertaining to market salary adjustments would remain in effect. If there are salary & benefit adjustments granted by those agencies which Costa Mesa uses as its labor market, the City would be obligated to make adjustments as needed to remain at the average of the market. It is important to note that the retirement enhancement is a component of the City’s calculation of total compensation. Accordingly, its implementation would largely mitigate salary adjustments during the four year term of the MOU. Were the City and CMFA to make no changes to the current MOU, existing market conditions will require salary increases of at least 4.9% or \$661,038 per year. Overtime costs would increase accordingly and the estimated total cost of continuing under the existing MOU is \$1,422,785 for the current fiscal year.

The proposed CMFA MOU addresses the specific objectives of the Management Budget Strategy in terms of reducing salary expenses, suspending minimum staffing and reducing overtime.

**ALTERNATIVES CONSIDERED:**

Per the direction at the August 4, 2009 City Council meeting, no other alternatives were considered. As of the writing of this staff report, the proposed/revised MOU, as negotiated by CMFA and the City, is being submitted for approval to the CMFA membership.

**FISCAL REVIEW:**

Attachment B, dated August 10, 2009, provides the detail of the fiscal review of the proposed MOU. The MOU as proposed is estimated to generate total salary savings of \$5.4 million over the four year term with estimated savings from the proposal less the cost of the retirement enhancement of \$2.3 million over the corresponding period. If the existing MOU remains in tact, the estimated cost is \$1.4 million for the current fiscal year with additional costs for salary adjustments of \$661,038 per year over the term of the MOU for a total cost of \$2.2 million.

**LEGAL REVIEW:**

The form of the Memorandum of Understanding is subject to approval by the City Attorney.

**CONCLUSION:**

Per the City Council direction to staff on August 4, 2009 and the meetings with representatives from the Costa Mesa Firefighters Association, the proposed Memorandum of Understanding is presented for approval.

---

ALLAN L. ROEDER  
City Manager

- Attachments: A. [August 4, 2009 Staff Report "Memorandum of Understanding \(MOU\) 2007- 2013 with the Costa Mesa Firefighters Association \(CMFA\).](#)  
B. [Fiscal Analysis of CMFA Proposal](#)  
C. [2007-2013 Memorandum of Understanding with the Costa Mesa Firefighters Association](#)