



CITY COUNCIL AGENDA REPORT

MEETING DATE: October 12, 2010

ITEM NUMBER:

SUBJECT: SIDE LETTER OF AGREEMENT TO THE JULY 1, 2007 TO JUNE 30, 2013 MEMORANDUM OF UNDERSTANDING BETWEEN THE COSTA MESA FIREFIGHTERS ASSOCIATION AND THE CITY OF COSTA MESA

DATE: OCTOBER 8, 2010

FROM: ADMINISTRATIVE SERVICES DEPARTMENT/HUMAN RESOURCES

PRESENTATION BY: STEVE MANDOKI, ADMINISTRATIVE SERVICES DIRECTOR

FOR FURTHER INFORMATION CONTACT: STEVE MANDOKI, AT (714) 754-5351

RECOMMENDATION:

That the City Council approve the proposed Side Letter of Agreement (LOA) with the Costa Mesa Firefighters Association (CMFA) thereby amending certain portions of the 2007-2013 Memorandum of Understanding between the Costa Mesa Firefighters Association and the City.

BACKGROUND:

At the City Council meeting of August 11, 2009, the City Council voted 3-2 (Attachment A) to approve an extension to the 2007-2010 Memorandum of Understanding (MOU) between the Costa Mesa Firefighters Association (CMFA) and the City of Costa Mesa ("City"). The MOU for 2007-2010 was extended to 2013. This approval resulted in a reduction of the previously required minimum staffing (Article 12, Section 12.1 of the 2007-2013 MOU), the foregoing of a required 2009 salary adjustment of 5.9% (\$690,000) and the implementation of a new retirement formula (3% @ 50 rather than the then current 3% @ 55 formula).

Currently, the MOUs for the City recognized bargaining groups (General Employees, Police, Police Management, Fire Management) are expired except for CMFA. CMFA's current MOU expires on June 30, 2013. As such, and per the terms and conditions of their MOU, CMFA is not obligated to meet with the City to discuss adjustments/reductions to their salary and benefits.

While not required to meet with the City or open discussions with the City, CMFA did agree to meet with City representatives to discuss the current fiscal condition. As a result, they have agreed to the concessions as presented on the Side Letter of Agreement (Attachment B).

The Letter of Agreement provides for the following:

1. The term of the 2007-2013 MOU will be extended to June 30, 2014;
2. CMFA agrees to suspend the salary adjustment scheduled for September 1, 2011;
3. In consideration of the suspension of the salary adjustment, the terms and conditions of this Side Letter Agreement and the provisions of Section 3.2 (Subsequent Years of the Agreement) of the 2007-2013 MOU, the City will adjust salaries based upon the total compensation effective September 1, 2013;
4. CMFA agrees to meet with the City for the purpose of discussing a reduction of employee compensation if any other represented employee association of the City of Costa Mesa is requested to reduce employee compensation or if any other represented employee association of the City of Costa Mesa agrees to a reduction in employee compensation for the 2011-2012 contract year. Given the timing of this Side Letter Agreement, the earliest date anything could be implemented would be October 1, 2011. Employee compensation is defined to include base salary, specialty and certification pay, health/medical/flex bucket pay, and amounts paid towards all employee retirement/pension benefits;
5. Employees covered by this agreement shall contribute 5% of the employee's PERSable earnings towards their employee retirement contribution. This contribution will begin the pay period beginning October 24, 2010 and will continue for 26 pay periods from October 24, 2010;
6. If the City and other Employee Associations mutually agree to suspend the Retirement Health Savings Plan during the term of this agreement, CMFA agrees to apply the 1% employee contribution (that would otherwise have been returned to the employee) towards the employer retirement contribution;
7. The City agrees to request an RFP from the Orange County Fire Authority ("OCFA") for contract fire/emergency services. CMFA agrees to initially fund the cost of the proposal. If the City subsequently contracts with OCFA for fire/emergency services, the City agrees to reimburse CMFA half of the actual proposal cost. If the City chooses not to contract with OCFA for fire/emergency services, there will be no reimbursement of proposal costs to CMFA; and
8. All remaining MOU provisions remain in effect as this is a temporary side letter agreement with the City and CMFA.

ALTERNATIVES CONSIDERED:

Based upon the direction from City Council to staff, no other alternatives were considered. Reductions totaling \$633,400 are being presented for City Council approval.

FISCAL REVIEW:

The payment of five percent (5%) by the employee towards their retirement cost will produce a fiscal savings of \$485,000 over 26 pay periods. The continued suspension of the Retirement Health Savings Plan will result in the savings of an additional \$160,900. This savings is \$645,900. If the reimbursement is provided for the proposal from OCFA, the adjusted amount is \$633,400. However, such reimbursement would only occur if a contract with OCFA is approved as a result of fiscal savings.

LEGAL REVIEW:

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

CONCLUSION:

City Council approval is needed at this meeting so that staff can implement the agreed upon items to the existing CMFA Memorandum of Understandings and implement the cost savings measures as of the pay period that begins on October 24, 2010.



STEVE MANDOKI

Administrative Services Director



ALLAN L. ROEDER

City Manager

KIMBERLY HALL BARLOW

City Attorney

- Attachments:
- A Minutes of the August 11, 2009 City Council Meeting
 - B Side Letter of Agreement Between the Costa Mesa Firefighters Association (CMFA) and the City of Costa Mesa

SPECIAL MEETING OF THE

**CITY OF COSTA MESA
CITY COUNCIL**

August 11, 2009

The City Council of the City of Costa Mesa, California met in a Special Meeting on Tuesday, August 11, 2009, at 6:55 p.m. in the City Council Chambers, 77, Fair Drive, Costa Mesa. The meeting was called to order by the Mayor.

I. ROLL CALL:

Council Members Present: Mayor Allan R. Mansoor
Mayor Pro Tem Wendy Leece
Council Member Eric R. Bever
Council Member Katrina Foley
Council Member Gary Monahan

Council Members Absent: None

Officials Present: City Manager Allan Roeder
Assistant City Manager Thomas Hatch
City Attorney Kimberly Hall Barlow
Administrative Services Director Steve Mandoki
Acting Development Services Director Kimberly Brandt
Budget and Research Officer Bobby Young
Human Resources Administrator Lance Nakamoto
Fire Captain Jeff Janzen
City Clerk Julie Folcik

II. PUBLIC COMMENT

1. Judi Berry, Costa Mesa, while supportive of the most proposed Memorandum of Understanding, expressed her opposition to the "3% at 50" as she felt that was not the time to offer a retirement incentive for retirement when the other unions agreed to a 5 percent salary reduction.
2. Beth Refakes, Costa Mesa, suggested taking a tiered approach to retirement benefits, felt that the benefits were setting the city up for instability and noted

that in the private sector salaries and benefits were being reduced and the city should follow suit.

3. Mike Berry, Costa Mesa, spoke in opposition to the proposed amendments to the MOU.

III. OLD BUSINESS

1. From the meeting of August 4, 2009, Memorandum of Understanding (MOU) 2007 – 2013 with the Costa Mesa Firefighters Association (CMFA).

City Manager Allan Roeder highlighted the events that lead to the consideration of the proposed amendments to the MOU with the CMFA. Administrative Services Director Steve Mandoki summarized the proposal noting the four key items that the proposal addressed as the extension of the current MOU from July 2009 to June 2013, proposed no salary adjustment for the current and following year, unless the other unions receive it, to amend the Public Employees Retirement System benefit to “3% at 50”, and to modify minimum staffing levels in phases to 28 personnel on a single shift. He and the City Manager responded to questions from the Council which included furloughs, the five percent reduction in pay, minimum staffing levels, the PERS incentive of early retirement, the authority of Council and changes to the MOU’s, and the potential changes to the “10-point plan.” The Budget and Research Officer Bobby Young also responded to questions from the Council that included the cost savings that would be realized from the proposal, noting the savings of \$1.3 Million for the first year and of \$3.1 Million over the four year term, and the freeze of raises for the first two years, position vacancies, over-time, and the cost of the pension enhancement.

Mayor Mansoor expressed concern as to the inconsistency with the five percent pay cut through furloughs and felt that the long-term consequences in terms of cost increases, and that pension plans were unsustainable as noted in the letter from Reed L. Royalty of OCTax.

Council Member Monahan noted that without approving the proposal the projected savings would not be realized with a key component being the retirement enhancement and the reduction of minimum staffing.

In addition Fire Captain Jeff Janzen and Fire Captain Timothy Vasin , representing the Costa Mesa Firefighters Association (CMFA) responded to questions regarding the “3% at 50,” the overall effect of the proposal on the service of the Fire Department, the furlough option, and meeting the five percent reduction.

MOTION: Approve the Memorandum of Understanding (MOU) 2007-2013 with the Costa Mesa Firefighters Association.
Moved by Council Member Katrina Foley, seconded by Mayor Pro Tem Wendy Leece.

Mayor Mansoor expressed his concern that the public was not adequately notified of the special meeting and suggested the item be continued to provide more notice to the public of what was being proposed.

SUBSTITUTE MOTION: Continue the item to the next Council meeting.
Moved by Mayor Allan R. Mansoor, seconded by Council Member Eric R. Bever.

In response to a question from Council Member Foley, Fire Captain Timothy Vasin noted that if the proposed MOU was adopted that evening that the next day there would be a savings realized due to lack of overtime required due to minimum staffing.

Mayor Pro Tem Leece after confirming with the City Manager on the required noticing to the public of the special meeting that was done, expressed support for the original motion, commenting that in keeping with the 10-point plan that the proposed MOU "works for Costa Mesa" in realizing the cost savings and further commented that any reform of the retirement system needs to begin with the state level.

The Substitute motion failed by the following roll call vote:

Ayes: Mayor Allan R. Mansoor, Council Member Eric R. Bever,

Noes: Mayor Pro Tem Wendy Leece, Council Member Katrina Foley,
Council Member Gary Monahan

Absent: None.

Council Member Foley pointed out that it was "about the numbers," and that the savings was the primary focus, which will be realized through the MOU.

The original motion carried by the following roll call vote:

Ayes: Mayor Pro Tem Wendy Leece, Council Member Katrina Foley,
Council Member Gary Monahan

Noes: Mayor Allan R. Mansoor, Council Member Eric R. Bever

Absent: None.

IV. ADJOURNMENT:

The Mayor declared the City Council meeting adjourned at 7:45 p.m.



**Side Letter of Agreement
July 1, 2007 – June 30, 2013
Memorandum of Understanding
between the
Costa Mesa Firefighters Association (CMFA)
and the City of Costa Mesa**

This side letter agreement (“Letter”) is entered into by and between the City of Costa Mesa (“City”) and the Costa Mesa Firefighters Association (“CMFA”). As part of the City’s Budget Development Strategies to balance the City’s current 2010-2011 Operating Budget, it was necessary to obtain the concurrence of CMFA to agree to concessions. The City and CMFA have met and conferred in good faith and agree that the current July 1, 2007 – August 31, 2013 CMFA Memorandum of Understanding (“MOU”) shall be supplemented with the following amendments:

I. Article 2 – Term of Agreement:

The City and CMFA agree to extend the current MOU for an additional year. The new expiration date of the MOU will be June 30, 2014.

II. Article 3 – Basic Salaries and Wages:

CMFA agrees to suspend the salary adjustment based upon the total compensation calculation scheduled for September 1, 2011.

In consideration of the suspension of the September 1, 2011 salary adjustment, the terms and conditions of this Side Letter Agreement, and the provisions of Section 3.2 (Subsequent Years of the Agreement), of the 2007-2013 Memorandum of Understanding between the City and CMFA, the City will adjust salaries based upon the total compensation calculation set forth in Section 3.3 effective September 1, 2013

Future Discussion of Employee Compensation - If any other represented employee association of the City of Costa Mesa is requested to reduce employee compensation or if any other represented employee association of the City of Costa Mesa agrees to a reduction in employee compensation for the 2011-2012 contract year, then CMFA agrees to meet with the City for the purpose of discussing a reduction of employee compensation. If future discussions for reduction of employee compensation are warranted, it is the intent of CMFA and the City that said discussions take place prior to September 1, 2011. However, any agreements would be effective no sooner than October 1, 2011. Employee compensation is defined to include base salary, specialty and certification pay, health/medical/flex bucket pay, and amounts paid towards all employee retirement/pension benefits.

III. Article 6 - Retirement:

Employees covered by this agreement shall contribute 5% of the employee’s PERSable earnings towards the employee retirement contribution. To the extent permitted by CalPERS and the IRS regulations, this 5% contribution shall be implemented through payroll deduction on a pre-tax basis. This contribution will begin the pay period beginning October 24, 2010 and will continue for 26 pay periods.

The above 5% will be enacted by using section 20516 as stated by PERS to be "Cost Sharing". Should there be a delay in the implementation of section 20516 for the amount of 5% then the CMFA agrees to contribute the same corresponding amount from individuals medical flex bucket. The amount will be averaged per each rank (Fire Captain, Fire Engineer, Firefighter/Paramedic, Firefighter). Once section 20516 is implemented it will be the sole mechanism for the 5% cost sharing.

IV. Article 7 – Retiree Medical Programs

If the City and other Employee Associations mutually agree to suspend the Retirement Health Savings Plan during the term of this agreement, CMFA agrees to apply the 1% employee contribution (that would otherwise have been returned to the employee) towards the cost of the 3@50 CalPERS retirement benefit per section 6.1 of the MOU.

V. Request for Proposal ("RFP") for Contract Fire/Emergency Services

The City agrees to request an RFP from the Orange County Fire Authority ("OCFA") for contract fire/emergency services. CMFA agrees to initially fund the cost of the proposal. If the City subsequently contracts with OCFA for fire/emergency services, the City agrees to reimburse CMFA half of the actual proposal cost. If the City chooses not to contract with OCFA for fire/emergency services, there will be no reimbursement of proposal costs to CMFA.

VI. MOU Provisions:

Except as provided herein, all remaining terms and provisions of the aforementioned MOU shall remain in full force and effect throughout the remainder of its term.

REPRESENTATIVES OF THE
COSTA MESA FIREFIGHTERS ASSOCIATION

REPRESENTATIVES OF THE
CITY OF COSTA MESA

TIMOTHY J. VASIN
CMFA President

STEPHEN N. MANDOKI
Administrative Services Director

JASON PYLE
CMFA Team Member

BOBBY YOUNG
Budget & Research Officer

FREDERICK T. SEGUIN
CMFA Team Member

LANCE M. NAKAMOTO
Human Resources Administrator

MICHAEL D. HURD
CMFA Director and Team Member

KASAMA LEE
Principal Human Resources Analyst

JULIE CREAGH
Human Resources Analyst