



CITY COUNCIL AGENDA REPORT

SPECIAL MEETING DATE: October 26, 2010

ITEM NUMBER: Item Number

SUBJECT: ADOPT THE SIDE LETTER OF AGREEMENTS FOR THE COSTA MESA EMPLOYEES ASSOCIATION (CMCEA), COSTA MESA POLICE MANAGEMENT ASSOCIATION (CMPMA), COSTA MESA POLICE ASSOCIATION (CMPA) AND RESOLUTION FOR UNREPRESENTED EMPLOYEES (EXECUTIVE AND CONFIDENTIAL).

DATE: OCTOBER 22, 2010

FROM: ADMINISTRATIVE SERVICES DEPARTMENT/HUMAN RESOURCES DIVISION

PRESENTATION BY: STEPHEN N. MANDOKI, ADMINISTRATIVE SERVICES DIRECTOR

FOR FURTHER INFORMATION CONTACT: STEPHEN N. MANDOKI (714) 754-5350

RECOMMENDATION:

1. Adopt the Side Letter of Agreement (Attachment I) between the City of Costa Mesa and the Costa Mesa City Employees Association (CMCEA) through March 13, 2013.
2. Adopt the Side Letter of Agreement (Attachment II) between the City of Costa Mesa and the Costa Mesa Police Management Association (CMPMA) through June 30, 2014.
3. Adopt the Side Letter of Agreement (Attachment III) between the City of Costa Mesa and the Costa Mesa Police Association (CMPA) through June 30, 2014.
4. Adopt Resolution Number 10 - _____ (Attachment IV) for un-represented employees in the Unrepresented Executive and Confidential groups.

BACKGROUND:

During the March 2nd, 2010 City Council meeting, the City Council approved the recommended strategies proposed by the City Manager in order to address the fiscal year 2009-2010 operating budget and pending fiscal year 2010-2011 budget. One of those strategies was the initiation of negotiations and/or discussion with each of the employee associations. 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 to address the City's budget deficit. In April, the City met with employee association members and presented a budget update as well as preliminary fiscal year 2010-2011 budget information. In May the City met with the associations to notify them of the recommendation to layoff approximately 50 employees. In June, City representatives and the associations officially began the meet and confer process to address the City's deficit. In light of employee reductions via layoffs coupled with the elimination of vacant positions, the City still faced a \$9.5 million budget deficit based upon the proposed fiscal year 2010-2011 budget.

ANALYSIS:

Based on discussions and direction from Council to obtain employee participation in reducing the City's deficit, staff has been meeting with all of the City's employee associations and unrepresented employee groups to implement budget reductions which will result in cost savings in the current and future fiscal years. Specifically, these discussions have focused on salary or compensation reduction via employee pick up of the CalPERS retirement contribution. Following are the provisions of the negotiated Agreements between the City and respective Employee Association/group:

Costa Mesa Employees' Association (CMCEA)

1. Employee contribution of 4% PERSable earnings toward the employee portion of CalPERS for 52 pay periods.
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. CMCEA agrees to contribute the employee 1% portion toward the employee portion of CalPERS. The Plan would be suspended for 52 pay periods.
3. Contract extension to March 31, 2013.
4. Administratively establish and implement the CalPERS 2%@60 formula for newly hired employees. Upon implementation, new employees will pay 7% of the employee contribution.

Unrepresented Executive and Confidential Employees will be subject to the same PERS cost sharing and benefit reductions as CMCEA members as described in items 1 through 4 above.

Executive Employees – Additional Items

1. Professional Development Program – funding of the Professional Development benefit shall be suspended for fiscal years 2011-2012 and 2012-2013.
2. Benefit Contribution Costs – The contribution towards the employees' medical and health care benefits shall be frozen at the 2010 level for calendar years 2011 and 2012.

Costa Mesa Police Management Association (CMPMA)

1. Employee contribution of 5% PERSable earnings toward the employee portion of CalPERS for 104 pay periods.

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 52 pay periods.
3. Extension of the Secondary Vacation Leave bank use provision until June 30, 2011.
4. Contract extension to June 30, 2014.
5. Cost of Living Adjustment – Potential adjustments in years 3 and 4 based upon identified increases in the City’s Sales tax, Property Tax and Transient Occupancy Tax.

Costa Mesa Police Association (CMPA)

1. Employee contribution of 5% PERSable earnings toward the employee portion of CalPERS for 104 pay periods.
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 52 pay periods.
3. Contract extension to June 30, 2014.
4. Suspension of the vacation, holiday and comp time cash outs for the first two years of the extension.
5. Cost of Living Adjustment – Potential adjustments in years 3 and 4 based upon identified increases in the City’s Sales tax, Property Tax and Transient Occupancy Tax.

Costa Mesa Fire Management Association (CMFMA)

As of the printing of this Agenda Report, discussions between City representatives and the Costa Mesa Fire Management Association (CMFMA) were in process.

Costa Mesa Fire Association (CMFA)

At the October 12, 2010 City Council Special meeting, the Council approved the Costa Mesa Firefighters Association Side Letter of Agreement, which resulted in cost savings of approximately \$633,000.

ALTERNATIVES CONSIDERED:

The parties to this agreement considered a wide variety of issues and alternatives in the context of good faith negotiations in accordance with Government Code Section 3500 et seq. (Meyers-Milias-Brown Act). These Side Letters of Agreement represent the conclusion of the legal process and appropriate alternatives need not be considered as a result of collaborative efforts expended. Based upon City Council’s most recent direction

to staff, no other alternatives were considered. Cost savings for the initial twenty-six pay periods total \$3,640,696.00 are being presented for Council approval.

FISCAL REVIEW:

The implementation of the side letter agreement articles with CMCEA, CMPMA, CMPA, Unrepresented Executive and Confidential groups will provide an annual total cost savings to the City of approximately \$3.6 million.

| | <u>Yr 1</u> <u>Reductions</u> |
|-------|----------------------------------|
| | \$1,551,586.0 |
| CMPA | 0 |
| CMPMA | \$94,452.00 |
| | \$1,102,849.0 |
| CMCEA | 0 |
| MGRS | \$111,614.00 |
| EXEC | \$76,522.00 |
| CONF | \$70,673.00 |
| CMFMA | tbd |
| CMFA | \$633,000.00 |
| | <u>\$3,640,696.0</u> |
| | 0 |

\$2,640,696 million in annual savings will be through CalPERS contributions. The suspension of the RHS plan will provide an annual savings of approximately \$550,000, which includes the CMCEA and Unrepresented employees contributing their one percent (1%) share towards their PERS costs for 52 pay periods.

The suspension of the CMPA vacation, holiday and comp time cash outs will provide an annual savings of approximately \$450,000.

Finance has estimated that following the effective date of the CalPERS contract amendments and throughout the next three (3) fiscal years the City will realize a cost savings of approximately \$5.2 million in employee CalPERS contributions, \$1.1 million in RHS savings and \$900,000 in leave cash outs (during the first two years) for a total of \$7.2 million.

LEGAL REVIEW:

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

CONCLUSION:

Adoption of the Side Letters of Agreement and Resolution are necessary for the City to obtain cost savings by initiating the side letter articles, including the process for amending the respective CalPERS contracts and suspension of the RHS Program for represented and unrepresented employees.

STEPHEN N. MANDOKI
Administrative Services Director

LANCE M. NAKAMOTO
Human Resources Administrator

BOBBY YOUNG
Budget & Research Officer

KIMBERLY HALL BARLOW
City Attorney

ALLAN L. ROEDER
City Manager

DISTRIBUTION: City Manager
City Attorney
Department Directors
City Clerk

ATTACHMENTS: I [CMCEA Side Letter Agreement](#)
II [CMPMA Side Letter Agreement](#)
III [CMPA Side Letter Agreement](#)
IV [Resolution #10-](#)

File Name

Date

Time