SIDE LETTER OF AGREEMENT
BETWEEN
CITY OF COSTA MESA
AND
COSTA MESA FIREFIGHTERS ASSOCIATION

This Side Letter of Agreement ("Agreement") between the City of Costa Mesa ("City") and the Costa Mesa Firefighters Association ("Association"), (collectively, "Parties"), is entered into with respect to the following:

WHEREAS, the Parties are currently subject to a Memorandum of Understanding (MOU) that does not expire until June 30, 2021;

WHEREAS, the Parties have met and conferred and believe that is in the best interests of both sides to modify two exsisting provisions set forth in the MOU;

WHEREAS, the following sets forth the Parties' Agreement:

The current provision set forth in Article 10, entitled "Leave Replacement and Overtime Pay", shall be replaced in its entirety with the following:

"Article 10 – Overtime Pay

10.1 FLSA WORK PERIOD - The parties acknowledge and agree that the City has adopted a work period pursuant to 29 U.S.C. section 207(k) and 29 C.F.R. section 553.230(a) for CMFA suppression members and that the work period is 14 days.

Employees on light duty are not subject to any work periods pursuant to 29 U.S.C. section 207(k) and 29 C.F.R. section 553.230(a).

Vacation leave or time off pususant to Labor Code section 4850 shall not be regarded as hours worked for purposes of FLSA overtime. However, sick leave shall be regarded as hours worked for purposes of FLSA overtime.

10.2 CONTRACT OVERTIME COMPENSATION - Notwithstanding the aforementioned, employees required to work in excess of the regularly scheduled work week or work day (shift) shall be compensated for that work at the rate of one and one-half (1-1/2) times the employee's regular rate of pay.

10.3 CALL-BACK - Anytime an off duty employee is required to report for duty for staffing level requirements, emergencies, disasters, fire investigation responsibilities, or other department-related needs, that employee shall receive a minimum of two (2) hours at one and a half times the employee's base salary rate. This does not apply to early reporting or "hold-overs"."

The current provision set forth in Article 12, entitled "Staffing Levels and Work Schedule", shall be replaced in its entirety with the following:

"Article 12 – Staffing Levels and Work Schedules

12.1 Staffing:

The following are the minimum staffing levels for each type of apparatus currently staffed by Costa Mesa Fire and Rescue:

- Truck company (ALS or BLS) = four personnel
  - One Captain
  - One Engineer
  - Two Firefighters
- ALS Enginecompany = four personnel
  - One Captain
  - One Engineer
  - Two Firefighter/Paramedics
- BLS Engine company = Four personnel
  - One Captain
  - One Engineer
  - Two Firefighters
- ALS Rescue Ambulance = Two personnel
  - Two Firefighter/Paramedics
- BLS Rescue Ambulance = Two personnel
  - Two Firefighters

Minimum personnel per day: 26
Minimum ALS units staffed per day: 5

Any and/or all provisions of the above staffing levels shall be subject to change based upon concurrence of the Fire Chief, City Manager and the Costa Mesa Firefighters Association. Any such contemplated change shall be governed by the requirements of Government Code § 3500 et seq., the Meyers-Milias-Brown Act.

Any City contracting with a third party for provision of any or all functions presently performed by City employees occupying classifications represented by the Costa Mesa Firefighters Association, shall not result in the layoff of any unit member.

Appendix F of the 2017 – 2021 MOU is an exemplar of the 56 hour work week schedule that shall not be subject to modification. (The 56 hour work week is based on 24 hour shifts.) This provision shall not prevent shift/assignment changes impacting the actual days of the week that any unit member works."

FOR THE CITY OF COSTA MESA

City Manager

Date

FOR THE COSTA MESA FIREFIGHTERS ASSOCIATION

Scott Purcell
President

Date

Fiscal Impact Analysis for Transparency in Labor Negotiations
Cost of Costa Mesa Firefighters Association (CMFA) Contract
Based on Fiscal Year 2019-20 Budgeted and 2018-19 Actual Costs
CMFA Side Letter Dated 8/31/19 (Proposal #1)

	Value of Pay/ Benefit	Estimated FY 19-20 Cost Based on 2017 Data (10)	Base Summary Existing Contract FY 19-20 Cost to City (1)	Cost to City: FY 19-20 Cost to City	Cost to City: FY 20-21 Cost to City	Existing Unfunded Liability	Projected Unfunded Liability	Existing Funded Liability	Projected Funded Liability
Base Salary (9)		$ 8,072,396	$ 8,089,336	$ 8,089,336	$ 8,089,336				
Pension / Retirement Benefits	3.0% @ 50	6,445,237	7,562,098	7,562,098	8,202,903	$ 72,484,330 (2)	$ 72,484,330	$ 118,560,968 (2)	$ 118,560,968
	2.0% @ 50	Included Above	Included Above	Included Above	Included Above				
	2.7% @ 57	Included Above	Included Above	Included Above	Included Above				
Cafeteria Plan Benefits	$25,428/month	1,856,244	2,008,812	2,008,812	2,008,812				
Bilingual Pay	5.00%	124,122	133,392	133,392	133,392				
Bilingual Pay	2.50%	19,746	22,232	22,232	22,232				
Certification Program (8)	varies	651,860	651,860	651,860	651,860				
Fire Administration Assignment	10.00%	12,840	12,841	12,841	12,841				
Paramedic Pay (9)		21,871	264,276	264,276	264,276				
Uniform Pay	$442	0	26,078	26,078	26,078				
Holiday Allowance	134.4 hrs/year	323,113	385,852	385,852	385,852				
Longevity Pay	frozen	2,268	2,760	2,760	2,760				
Tuition Reimbursement	$1,500/year	18,250	18,250	18,250	18,250				
Estimated Costs:									
Medicare	1.45%	132,525	136,757	136,757	136,757				
Retiree Medical (3)	6.04%	494,886	494,886	494,886	494,886				
Built-In Overtime (4)	78.21 hrs/yr	474,926	474,926	0	0				
	121.66 hrs/yr	0	0	738,774	738,774				
Excess Overtime (5)(7)(11)		1,755,353	2,685,483	3,172,913	3,172,913				
OT Impacts of Flores Case		538,355	538,355	538,355	538,355				
Excess Accrual Payoff / Cash Outs (6)		39,475	95,877	95,877	95,877				
	Subtotal	$ 20,983,467	$ 23,604,072	$ 24,355,350	$ 24,996,155				
True-Up of Pension Estimates to Actual Costs		1,116,861	-						
True-Up of Overtime Estimates to Actual Costs		930,130	-						
True-Up of Other Estimates to Actual Costs		573,614	-						
	Total	$ 23,604,072	$ 23,604,072						
		Annual $ Increase		$ 751,278	$ 640,805				
		Annual % Increase		3%	3%				
		Total Contract Increase			$ 1,392,083				
Total Number of Employees		73	79	79	79				

Fiscal Impact Analysis for Transparency in Labor Negotiations
Cost of Costa Mesa Firefighters Association (CMFA) Contract
Based on Fiscal Year 2019-20 Budgeted and 2018-19 Actual Costs
CMFA Side Letter Dated 8/31/19 (Proposal #1)

Notes:

(1) - Cost of Contract per item based on FY 2019-20 Adopted Budget and in some cases, FY 2018-19 expenses (actuals). There are no further base salary increases in the existing contract.

(2) - A number of changes have been made over the past three years by CalPERS that have caused an increase in annual PERS costs that were unanticipated at the time the COIN analysis was completed in 2017. These include changes to a number of key assumptions when calculating the Net Pension Liability, including the reduction of the discount rate and a decrease in the amortization period. The liability amounts are from the June 30, 2018 CAFR for the City's Safety Fire Plan.

(3) - Rate per employee is not explicit in the contract, however is calculated based on the previously calculated annual required contribution (ARC) calculated by Nyhart, an independent actuary. In FY 2018-19 the City implemented GASB 73 which changed the reporting standards for retiree medical. To remain consistent, we will use the amounts in the COIN analysis.

(4) - For a 28-Day work period, there are 78.21 built-in FLSA overtime hours owed per employee per year. For a 14-Day work period, there are 121.66 built-in FLSA overtime hours. (Analysis per Liebert, Cassidy Whitmore)

(5) - Excess overtime is not implicit in the contract, however is estimated based on the amount spent in FY 2018-19 less the built-in overtime amounts above and overtime reimbursed by 3rd parties totaling $197,584. Calculation used in the previous COIN analysis was based on adopted budget at that time. Over the last 5 years, the Fire Department has been working towards reducing overtime costs and has been successful in bringing the amount closer to the budget amount.

(6) - Excess Accrual Payoff / Cash Out is not explicit in the contract, however is estimated based on the amount spent in FY 2018-19. The amount used in the previous COIN analysis was based on the budgeted amounts at that time. Amount could include payoff of accrued hours upon separation.

(7) - The proposed changes to Section 12.1 of the MOU add provisions for minimum staffing levels. If approved, this would require the Fire Chief to staff each station and each apparatus at prescribed levels, 24 hours per flexibility in staffing, particularly for short periods of time. day, 365 days per year, regardless of service demand levels and/or calls for service. This requirement is not in practice today and could impact If approved, this will likely increase costs. In addition, removing the flexibility would mean the possible savings of $300,000 to $1,000,000 or more could be foregone.

(8) - Certification pay was held level with the amount used in the previous COIN analysis. This amount will fluctuate based on the certificates each employee receives.

(9) - The City has changed its budgeting for Paramedic Pay since the previous COIN analysis was completed. Previously, the Paramedic Pay was included in the Base Salary line, with the exception of recertifications. Currently, the Paramedic Pay is budgeted for separately.

(10) - This represents the estimates projected for Fiscal Year 2019-20 from the COIN analysis completed when the current MOU was negotiated in 2017.

(11) - The proposed changes to Section 10.2 of the MOU include provisions for contract overtime. If approved, all leave used would count as hours worked for purposes of calculating overtime. Thus, all hours worked in excess of the regularly scheduled work week or work day would be compensated at a rate of one and one-half (1-1/2) times the employee's regular rate of pay. Due to the complexity of the calculations and various scenarios that could occur, we have determined that the cost could range from $487,430 to $747,755. The lower end of this range is included in the overtime cost above.

Council Member Acknowledgement:

Katrina Foley, Mayor

John Stephens, Mayor Pro-Tem

Sandra Genis, Council Member

Allan Mansoor, Council Member

Andrea Marr, Council Member

Arlis Reynolds, Council Member

Manuel Chavez, Council Member

Transparency in Labor Negotiations Fiscal Impact Analysis Certification

City of Costa Mesa Council Policy 300-8 states:

2. Economic Analysis

a. The Finance Director shall prepare an economic analysis on the fiscal impacts of each term and condition of employment made available to the members of all recognized employee organizations. The economic analysis must be verified by an independent auditor.

b. The economic analysis shall be updated with each proposal and counterproposal presented throughout the negotiation process and posted on the website along with all proposals and counter proposals.

c. The economic analysis shall be prepared in the format shown on Attachment A and shall include written council member acknowledgment that the analysis has been reviewed by the council member.

Certification:

In accordance with this section, Lance, Soll & Lunghard, LLP has reviewed the fiscal impact analysis related to the August 31, 2019 CMFA proposal #1 prepared by the City and believe that they accurately reflect the fiscal impacts of the proposal.

Bryan Gruber, CPA
Partner, Lance, Soll & Lunghard, LLP