

**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 existing 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 **28** 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 pursuant 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 Engine Company = 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.

12.2 Exceptions to Staffing Model:

The City may deviate from the staffing model set forth in 12.1 for the reasons set forth in this paragraph. First, the City may deviate from the staffing model set forth in 12.1 if there is a declaration of a fiscal emergency by the City Council. Second, the City need not fill an unexpected vacancy that occurs on a particular shift during that shift. Finally, the City need not fill an expected vacancy of four hours or less.”

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 Proposal Dated 12/17/19 (Proposal #2)

| | 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 | | Existing Unfunded Liability | Projected Unfunded Liability | Existing Funded Liability | Projected Funded Liability |
|---|-------------------------|---|--|-----------------------|-----------------------|-----------------------------|------------------------------|---------------------------|----------------------------|
| | | | | FY 19-20 Cost to City | FY 20-21 Cost to City | | | | |
| 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 | 474,926 | 474,926 | | | | |
| | 121.66 hrs/yr | 0 | 0 | 0 | 0 | | | | |
| 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 | \$ 24,091,502 | \$ 24,732,307 | | | | |
| 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 | | | \$ 487,430 | \$ 640,805 | | | | |
| | Annual % Increase | | | 2% | 3% | | | | |
| | Total Contract Increase | | | | \$ 1,128,235 | | | | |
| 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 Proposal Dated 12/17/19 (Proposal #2)

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.

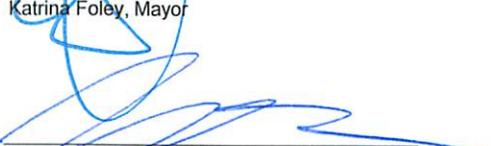
Council Member Acknowledgement:



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 December 17, 2019 CMFA Proposal # 2 prepared by the City and believe that they accurately reflect the fiscal impacts of the proposal.



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