

Costa Mesa Firefighters Association
Proposal Presented to the City on July 20, 2017

Via Email

We will reduce the City's medical contribution from \$2,100 per month to \$1,500 and the opt out maximum will be set at half the City's contribution (\$750). This will reduce the net contribution on behalf of employees as well as the monies being paid out as cash. Consequently, this should result in the City paying out under 20% of plan proceeds as money to members, thereby preserving the bona fide nature of the plan. In return, the savings to the City from the reduction of the medical contribution would be utilized towards an increase in the City's wage increase proposal by 1% at each level. Specifically, each of the 4, 3% wage increases would be increased to 4%.

In addition, the FLSA work period would be converted to a 14 day work period, rather than 28. Per your earlier indication, the monetary result of that would be an approximate 1.4% increase to employees.

The net result of this modification is not necessarily cost neutral, but our rough figures and approximations based on the limited information you gave us regarding opt out numbers, indicates it to be about a 1.5% cost increase to the City above what has already been agreed to. The problem we have here is that without our members experiencing an increase via the medical, we have no incentive to agree to this entire package. The wage increase and PERS payments result in a 2% concession, when you include the 5% we gave back voluntarily and with no offset a few years ago. (I seem to recall that the recent fire management agreement has the City giving them a 5% offset for their previously paid 5% PERS contribution.) Thus, with the current wage increase and additional PERS contribution, our members are still behind. Without the medical, this agreement is irrelevant to a large group of our membership. If in fact we have 27 members who currently opt out, that is 27 members who would have no reason to accept this proposal, since it truly represents a loss for them. The other members who would benefit from the medical increase will not vote to accept it given the negative impact on the others.

This is a solution that I have authority to TA on behalf of the negotiating team and that I'm told the members would ratify it in short order. We cannot meet tonight at 6 pm, as I will not have enough people on my side to make it meaningful. And in any case, again, this is the solution that I have buy in for. Let me know if you have any questions. I am around tomorrow to talk, and you can call me on my cell phone over the weekend if need be. We also welcome a speedy resolution to this outstanding issue.

Fiscal Impact Analysis for COIN Ordinance
 Cost of Costa Mesa Fire Association (CMFA) Contract
 CMFA Proposal to City July 20, 2017
 Including Flores case impact on overtime (\$750 max. monthly health benefit cash out)

| | Value of Pay/ Benefit | Existing Contract FY 16-17 Cost to City (1) | Estimated Cost FY 17-18 Cost to City | Estimated Cost FY 18-19 Cost to City | Estimated Cost FY 19-20 Cost to City | Estimated Cost FY 20-21 Cost to City | Existing Unfunded Liability | Projected Unfunded Liability | Existing Funded Liability | Projected Funded Liability |
|--|---------------------------------|---|---|---|---|---|-----------------------------------|------------------------------------|---------------------------------|----------------------------------|
| Base Salary (2) | varies | \$7,172,219 | \$7,608,290 | \$8,229,126 | \$8,390,482 | \$8,390,482 | | | | |
| Pension / Retirement Benefits (8) (11) | 3% @ 50 2% @ 50 2.7% @ 57 | 5,058,625 Included above Included above | 5,549,049 Included above Included above | 6,073,444 Included above Included above | 6,699,027 Included above Included above | 6,952,604 Included above Included above | 29,070,888 (3) | 29,070,888 (10) | 112,404,728 (3) | 112,404,728 |
| Pension Fire Side Fund Balance | | | | | | | 22,212,863 (3) | 21,361,519 | N/A | N/A |
| Cafeteria Plan Benefits | \$6,672 | 516,720 | 1,314,000 (9) | 1,314,000 | 1,314,000 | 1,314,000 | | | | |
| Bilingual Pay | 5.00% | 108,651 | 113,590 | 120,507 | 124,122 | 127,846 | | | | |
| Bilingual Pay | 2.50% | 17,285 | 18,070 | 19,171 | 19,746 | 20,338 | | | | |
| Licenses & CERT Program | | 472,219 | 614,382 | 664,516 | 677,546 | 677,546 | | | | |
| Paramedic Assignment Pay | \$500 | 20,157 | 20,987 | 22,169 | 22,476 | 22,476 | | | | |
| Holiday Allowance | | 287,081 | 304,536 | 329,386 | 335,845 | 335,845 | | | | |
| Longevity Pay | | 2,268 | 2,268 | 2,268 | 2,268 | 2,268 | | | | |
| Fire Administration Pay | 10.00% | 11,408 | 12,102 | 13,090 | 13,346 | 13,346 | | | | |
| Fire Investigation Assignment Pay | varies | 0 | 0 | 0 | 0 | 0 | | | | |
| Tuition Reimbursement increase \$1,250 to \$1,500/yr | | | 18,250 | 18,250 | 18,250 | 18,250 | | | | |
| Estimated Costs: | | | | | | | | | | |
| Medicare | 1.45% | 117,747 | 124,906 | 135,098 | 137,747 | 137,747 | | | | |
| Retiree Medical (4) | 6.04% | 433,202 | 452,891 | 480,472 | 494,886 | 509,733 | 7,272,630 | 7,272,630 | 0 | 0 |
| Overtime (5) | | 2,046,097 | 2,049,092 | 2,173,882 | 2,206,056 | 2,206,056 | | | | |
| OT impact of Flores case (\$1,500) | | | 380,911 | 380,911 | 380,911 | 380,911 | | | | |
| Excess Accrual Payoff / Cash outs (6) | | 34,555 | 36,126 | 38,326 | 39,475 | 40,660 | | | | |
| Total | | \$16,298,234 | \$18,619,450 | \$20,014,617 | \$20,876,184 | \$21,150,107 | | | | |
| Difference | | | \$2,321,216 | \$1,395,166 | \$861,567 | \$273,924 | | | | |

TOTAL \$4,851,874

Percent Change 14.2% 7.5% 4.3% 1.3%

Total Number of Employees (7) 73 73 73 73 73

Council Member Acknowledgement:

Katrina Foley, Mayor

Sandra Genis, Mayor Pro Tem

Alan Mansoor, Council Member

James Righelmer, Council Member

John Stephens, Council Member

- (1) - Cost of Contract per item based on FY 2016-17 Adopted Budget.
- (2) - Proposed wage increase of 4% every six months through January 1, 2019.
- (3) - Amounts from PERS Valuation for the City's Fire Plan as of June 30, 2014.
Fire Side Fund balance per CalPERS Valuation as of June 30, 2015, page 8.
- (4) - 6.04% rate per employee is not explicit in the contract, however is calculated based on the Annual Required Contribution (ARC) amount as calculated as of June 30, 2014 by Nyhart, an independent actuary for GASB 45 compliance, and documented in the City's CAFR. Existing unfunded liability is 101.4% of covered payroll per the 2014 Nyhart report.
- (5) - Overtime amount is not explicit in the contract, however is estimated based on the proportional share of budgeted amounts.
- (6) - Payoff - Cash out is not explicit in the contract, however is estimated based on the proportional share of budgeted amounts. Amount could include payoff of accrued hours upon separation.
- (7) - Number of employees increased by 6 as approved by Council on January 3, 2017.
- (8) - Proposes Tier 1 employee paid share (currently 5%) increase by 3%, 3% and 3% for a total of 14% by July 1, 2018. For simplicity, assumes all employees are Tier 1.
- (9) - Health insurance monthly City contribution increases from current \$556 to \$1,500 in years 1 through 4.
- (10) - Unfunded liability could increase by an unknown amount due to salary increases above the CalPERS assumed 3% per year.
- (11) - Note: On January 18, 2017 CalPERS announced a three-year phase in plan to reduce the discount rate from 7.5% to 7.0% beginning FY 18-19. Based on the midpoint of the impact range provided by CalPERS, the possible impact could be an additional annual retirement cost for this group of \$1,130,747 by FY 20-21; \$1,940,535 by FY 22-23.