

**City of Costa Mesa  
Proposal  
August 2, 2017  
*Via Email***

Per our discussion at 7:30 a.m. this morning, last night the City Council of the City of Costa Mesa authorized me to offer the following to resolve the one last issue in our labor negotiations:

Employees would receive \$2119 (instead of \$1800) per month as the health insurance contribution effective in the month following the adoption of MOU. However, the maximum amount which employees may receive in cash from the contribution would be capped at \$1060 per month. Employees may still use the full \$2119, but could only receive \$1060 as cash.

I know we discussed this today, but if you have any questions, just let me know.

Peter



- (1) - Cost of Contract per item based on FY 2016-17 Adopted Budget.
- (2) - Proposed wage increase of 3% 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 \$2,119 with \$1,060 max cash out.
- (10) - Unfunded liability could increase by an unknown amount due to salary increases above the CalPERS assumed 3% per year.
- (11) - Note: On January 19, 2017 CalPERS announced a three-year phase in plan to reduce the discount rate from 7.6% 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.