



STAFF REPORT

City Council

Meeting Date: 1/29/2019

Staff Report Number: 19-012-CC

Regular Business: Approve the terms of a successor agreement between the City of Menlo Park and the Menlo Park Police Officers' Association

Recommendation

Staff recommends that the City Council approve the terms of a collective bargaining agreement between the City of Menlo Park and the Menlo Park Police Officers' Association (POA), and authorize the City Manager to execute a Memorandum of Understanding (MOU) with a term of January 30, 2019 through August 31, 2021.

Policy Issues

This recommendation aligns with the City's goals of balancing continued fiscal prudence in planning for potential impacts of employee retirement benefits, while also continuing to align the City as a competitive employer.

Background

On February 7, 2017, in accordance with City Council's public input and outreach regarding labor negotiations policy, a staff report was placed on the City Council agenda providing an opportunity for public comment before the commencement of labor negotiations with the Menlo Park POA for a successor MOU expiring June 30, 2017. The staff report provided background information related to labor negotiations, a summary of bargaining unit information, cost information for salaries and benefits, and key issues facing the City on labor relation matters such as employee pension cost increases and medical premiums. At that meeting, there was no public comment.

The POA represents 42 employees in the sworn classifications of police officer and police corporal, and the police academy participant position of police recruit. The City and POA negotiating teams commenced negotiations March 7, 2017, and reached a tentative agreement (TA) November 28, 2018. Negotiations with the other three bargaining units whose agreements also expired June 30, 2017, averaged five months. Approximately five months into negotiations between the City and the POA, the parties agreed to invite a mediator to assist with negotiations. Mediation appeared successful, and in August 2017, the City agreed to the terms of the mediation, which substantially reflected the TA recommended for approval January 29, 2019. However, new issues emerged, followed by a lengthy period of limited meetings. In April 2018, POA replaced its chief negotiator, resulting in re-engagement in negotiations in May 2018. Again, the parties came close to an agreement in August 2018. However, a lingering issue continued to delay ratification by the POA for three additional months.

Upon reaching agreement, POA notified the City that the TA was ratified by the membership November 29, 2018. The timing of the POA’s ratification of the TA prevented notice of the agreement for action by the City Council before the end of December. On December 11, 2018, three new City Councilmembers were sworn in and staff scheduled a special closed session December 18, 2018 to review the TA with the new City Council.

In compliance with the intent and spirit of the City Council’s public input and outreach regarding labor negotiations policy, the City’s practice is to refrain from posting tentative labor contracts during the winter holiday weeks. City Hall was also closed December 21, 2018 through January 1, 2019. Therefore, the City delayed release of this staff report until January 14, 2019, in compliance with the City Council’s public input and outreach regarding labor negotiations policy. Due to the two-month timeframe between the POA membership’s ratification and request for City Council approval, the City and the POA agreed on a modification to the TA December 19, 2018.

Analysis

Attachment A is a copy of the current MOU with changes reflecting the terms of the TA reached by the City and POA negotiating teams. The table on the following page provides a summary of the key provisions and/or changes.

Table 1: Key Provisions and/or changes		
Item	Description	Fully burdened cost/(savings)
Term MOU Article 22 Page 49	Approx. <u>2 years 7 months</u> beginning with City Council ratification and ending August 31, 2021. Given that negotiation of a successor agreement is not required for two fiscal years, the City is estimated to save approximately \$30,000 per year which reflects legal costs and internal staff time required to support negotiations.	(\$60,000)
Pay rates MOU Article 13.1 Page 33	Initial cost of living adjustment to base pay rates in this unit. The costs provided reflect the increased cost of salary and salary related benefits such as pension costs and incentive pays. <u>6.0%</u> effective the first full pay period following City Council ratification This increase reflects <u>3.0%</u> which would have been provided in fiscal year 2017-18 and another <u>3.0%</u> which would have been provided in fiscal year 2018-19 if the parties reached agreement earlier. There is no retroactivity of these adjustments and they are not compounded.	\$204,000

Item	Description	Fully burdened cost/(savings)
Pay rates MOU Article 13.1 Page 33	<p>Second cost of living adjustment to base pay rates in this unit. The costs provided reflects the increased cost of salary, including the initial cost of living adjustment above, and salary related benefits such as pension costs and incentive pays.</p> <p><u>3.0%</u> effective the pay period following July 1, 2019</p> <p>*This cost includes the initial cost of living adjustment above of \$204,000 and the first year cost of the second living adjustment of \$256,000.</p>	\$460,000*
Pay rates MOU Article 13.1 Page 33	<p>Final cost of living adjustment to base pay rates in this unit. The costs provided reflect the increased cost of salary, including the initial and second cost of living adjustments above, and salary related benefits such as pension costs and incentive pays.</p> <p><u>3.5%</u> effective the pay period following July 1, 2020</p> <p>*This cost includes the initial cost of living adjustment above of \$204,000, the first year cost of the second cost of living adjustment of \$256,000, and the first year cost of the final cost of living adjustment of \$307,000.</p>	\$767,000*
Benefit programs MOU Article 17 Page 43	Increases the City's contribution to the cafeteria plan by approximately <u>2%</u> in 2019 and approximately <u>3%</u> in 2020	\$75,600
One Time Pay MOU Article 13.1.4 Page 33	Provides 58 hours of leave which must be used by March 23, 2019, or cashed out	\$153,500
Holidays MOU Article 5 Page 4	Memorializes the current practice and provides examples of holiday pay applicability for clarification	-
Comp Time MOU Article 13.8.5 Page 36	Agrees to POA applying for an IRS constructive receipt ruling which may or may not result in changes to compensation time pay out and the vacation accrual cap	TBD
On-call Detective Pay MOU Article 13.9 Page 37	Changes the compensation from six hours per week to one hour per day for detectives on-call	\$3,700

The economic package outlined above is responsive to the City's bargaining principles, as outlined in the February 7, 2017 report to the City Council announcing the City's intent to negotiate a successor agreement with the POA. Specifically:

1. Principle #1 – service to the community. Service to the community requires a skilled workforce that is committed to providing the level of customer service and responsiveness expected by the City Council, residents, businesses, and other community sectors in Menlo Park. The POA is responsible for frontline public safety services, and specialty safety services such as traffic enforcement and criminal investigations. The TA provides about three years of stability for affected POA represented classifications in the area of compensation.
2. Principle #2 – fiscal sustainability. One measure of fiscal sustainability is the relationship between the TA's economic package and inflation as measured by the Consumers Price Index, All Urban Consumers (CPI-U), for the San Francisco – Oakland – San Jose region. For budgeting purposes, the City measures CPI-U based on the annual change measured in February of each year. From February 2016 to February 2017, the CPI-U recorded an increase of 3.4 percent, the most current information available when negotiations began in March 2017. From February 2017 to February 2018, the CPI-U was 3.6 percent. Given that the most recent measures of the year-over-year, change in CPI-U was for October, the CPI changed 4.4 percent from October 2017 to October 2018.

Another measure of fiscal sustainability is the cumulative fiscal impact of the TA and the relationship of that impact to the 2018-19 budget's 10-year forecast. As discussed in the budget document, the amount available for salary increases takes into consideration increasing costs for employee pension and inflationary assumptions for non-salary items. The TA contains three salary increases over three fiscal years. While this package may be viewed as a cumulative total of 12 percent over three years, such a summary does not consider the impact of late implementation. With a 6 percent increase taking effect the first full pay period following City Council ratification, February 3, 2019, the resulting increase impacts only five months of the current fiscal year (plus approximately five days with the one-time pay of 58 hours), and no impact in fiscal year 2017-18, for an effective salary and benefit expense increase of 2.5 percent in fiscal year 2018-19. In addition to falling substantially within the assumptions of the City's long-term fiscal forecast, the salary increases also cumulatively fall within assumptions made by CalPERS in its payroll growth assumptions that are used in actuarial analysis of pension liabilities.

3. Principle #3 – recruitment and retention. The terms of the successor agreement are an important component of recruiting and retaining quality employees. San Mateo County reported the lowest unemployment rate (2.0 percent) in the state of California in November 2018. Competition for top talent is significant. Providing a compensation package that maintains the City's market position supports attracting and keeping highly qualified candidates. Recruitments for lateral police officers has yielded only one qualified candidate during 2017 and 2018. The City has had to rely on recruiting inexperienced candidates, and sponsoring qualified candidates in a police academy. With this approach, the vacancy rate for police officers has been low, in comparison to the City's overall recent vacancy rates. However, recruitment is constant, as candidate pools have decreased significantly over the years, and more than half of candidates are unsuccessful - failing the testing, background, medical or training requirements.

Impact on City Resources

The TA results in a fiscal impact of approximately \$1.6 million through August 31, 2021, net of savings realized as a result of the multiyear agreement. The TA fiscal impact is within the City Council's 10-year fiscal forecast as adopted in the 2018-19 budget.

Environmental Review

This action is not a project within the meaning of the California Environmental Quality Act (CEQA) Guidelines §§ 15378 and 15061(b)(3) as it proposes an organizational structure change that will not result in any direct or indirect physical change in the environment.

Public Notice

Public notification was achieved by posting the report 15 days prior to the City Council meeting of January 29, 2019.

Attachments

A. Track changes copy of Memorandum of Understanding between the City and Menlo Park POA expiring August 31, 2021

Report prepared by:
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