



Department: Human Resources
Cost Center: 2007
For Agenda of: 7/20/2021
Placement: Consent
Estimated Time: N/A

FROM: Nickole Domini, Interim Human Resources Director

SUBJECT: SUCCESSOR MEMORANDUM OF AGREEMENTS WITH THE FIREFIGHTERS, LOCAL 3523, THE POLICE OFFICERS' ASSOCIATION AND RESOLUTIONS FOR THE UNREPRESENTED MANAGEMENT AND CONFIDENTIAL GROUPS

RECOMMENDATION

1. Adopt a Resolution entitled, "A Resolution of the City Council of the City of San Luis Obispo, California, adopting and ratifying the Memorandum of Agreement between the City of San Luis Obispo and the International Association of Firefighters, Local 3523, for the period of January 1, 2021 to December 31, 2023" (Attachments A & B); and
2. Adopt a Resolution entitled, "A Resolution of the City Council of the City of San Luis Obispo, California, adopting and ratifying the Memorandum of Agreement between the City of San Luis Obispo and the San Luis Obispo Police Officers' Association for the period of July 1, 2021 to June 30, 2024" (Attachments C & D); and
3. Adopt a Resolution entitled, "A Resolution of the Council of the City of San Luis Obispo, California, amending Management Compensation for appointed officials, department heads, and management employees and superseding previous resolutions in conflict" (Attachments E & F); and
4. Adopt a Resolution entitled, "A Resolution of the City Council of the City of San Luis Obispo, California, regarding compensation for the Unrepresented Confidential Employees and superseding previous resolutions in conflict" (Attachments G & H); and
5. Adopt a Regular and Supplemental Employee Salary Schedule effective July 20, 2021, as required by California Public Employees Retirement System (Attachments I & J).

REPORT-IN-BRIEF

Four of six employee groups' Memorandum of Agreements (MOAs) or Resolutions outlining compensation and benefits have expired. The purpose of this report is to provide an overview of the negotiations that have taken place with the represented groups and conversations with the unrepresented groups for successor agreements. Staff is recommending a three-year term for Fire and POA which will provide adjustments to compensation to increase competitiveness in the market and address recruitment and retention challenges. A one-year agreement, providing modest increases to compensation, is recommended for the unrepresented management and confidential groups. This will allow staff to complete a benchmark compensation study by February 2022 which will inform the next round of conversations. The increases proposed to compensation and benefits are incorporated into the City's long-term forecast.

DISCUSSION

Background

There are 439.25 authorized regular full-time equivalent (FTE) employees at the City that make up six employee groups (four represented and two unrepresented). Compensation and benefits for employees are set by a Memorandum of Agreement (MOA) for represented employees and by Resolution for unrepresented employees. Of the six employee groups at the City, four MOAs or Resolutions have expired which represent approximately 51% of the City's FTEs and 67% of the total compensation of City employees. Under California law, when an MOA or resolution expires, the terms and conditions of the agreement continue without change or remain status quo until a successor MOA or resolution is in place.

City of San Luis Obispo - Employee Groups

Employee Group	Full-Time Equivalent Employees	Current Term for MOA or Resolution
City Employees' Association (SLOCEA)	199.25	7/1/19 to 6/30/22
Confidential (Unrepresented)	7	<i>7/1/18 to 6/30/21</i>
Management (Unrepresented)	98	<i>7/1/18 to 6/30/21</i>
Police Officers' Association (POA)	67	<i>7/1/18 to 6/30/21</i>
Police Staff Officers' Association (SLOPSOA)	17	7/1/19 to 6/30/23
The International Association of Firefighters, Local 3523 (Fire)	51	<i>1/1/18 to 12/31/20</i>

In advance of an MOA or Resolution expiring, negotiations occur with the represented groups and informal conversations occur with the unrepresented groups. The City's strong policy foundation of fiscal health and sustainability including Council adopted Labor Relations Objectives and the Compensation Philosophy (Attachment L) guide and frame conversations and the negotiations process. Following is a summary of the negotiations process and the recommended successor agreement for Fire and POA, and an overview of the recommendation for the unrepresented groups.

Fire Labor Agreement

The Fire Union represents 51 employees: 46 sworn personnel from the rank of Firefighter to Fire Battalion Chief and 5 non-sworn personnel including Fire Inspectors, Fire Vehicle Mechanic and Hazardous Materials Coordinator. The MOA governing wages and benefits expired on December 31, 2020. The parties began negotiations in October 2020 and held multiple virtual meetings through April of 2021.

The Fire Union's priorities included cost of living increases in salary and equity adjustments for sworn personnel to address what the Fire Union described as salary disparity between fire personnel and sworn Police Department employees. In addition, the parties' completed a market survey of the agreed upon comparison agencies which reflected that the sworn positions were approximately 13% below the market median. The City's focus and primary interests included achieving a multi-year agreement that provides certainty around compensation costs, maintaining competitive wages and benefits to support recruitment and retention objectives, and address non-economic areas of the labor agreement dealing with Fire Department operational policies and procedures.

The negotiations sessions were cooperative and professional. And though the parties reached an impasse in April 2021 on the core economic issues, following a mediation session in May, they were able to bridge the gap and reach tentative agreement on a successor three-year agreement.

Key Components of Fire Successor MOA

The following is a summary of the key changes included in the successor Fire MOA:

1. **Term of the Agreement.** January 1, 2021 to December 31, 2023.
2. **Salary Increases.** The salary increases keep pace with cost-of-living adjustments and are effective on the first day of the first full pay period in the month listed below for all classifications.
 - July 2021 2.5%
 - July 2022 2.5%
 - July 2023 2.5%
3. **Market Equity Adjustments.** In addition to the above listed salary increases, the parties have agreed to the following equity adjustments to be effective on the first day of the first full pay period in the month listed below for the following sworn classifications to help address market competitiveness.
 - July 2021 4% Firefighters, Fire Engineers, Fire Captains
 - July 2021 1% Fire Battalion Chiefs (BCs)
 - July 2022 1.5% Firefighters, Fire Engineers, Fire Captains, BCs
 - July 2023 1.5% Firefighters, Fire Engineers, Fire Captains, BCs
4. **Health Insurance Cost-Sharing.** The City will continue the current formula for health insurance for 2023 and 2024 calendar years whereby the City's contribution will be calculated using cost-sharing arrangement that increases the City's contribution by 50% of the average percent increase in CalPERS medical premium increases. For example, if the average increase in CalPERS medical premiums increases eight percent, the City contribution would increase four percent, while employees absorb the remainder of the increased cost. This balanced cost-sharing model meets the Council's LROs.

5. **Discontinue Above Grade Skills Incentive.** In recognition of and to offset the market equity adjustments summarized above, the parties agreed to discontinue the four (4%) percent Above Grade Skills Incentive to eligible employees and instead offer Acting Pay for personnel serving above grade.
6. **Revision of Disciplinary Procedure.** The parties agreed to incorporate into the contract statutory procedures governing employee discipline. The new language provides a comprehensive procedure for the investigation and discipline of employee misconduct consistent with existing City policy and State law.
7. **Revision of Paramedic Pay Differential.** The parties agreed to revise the current paramedic pay differential (12%) to be calculated on the employee's base pay rather than top-step of the firefighter salary, effective July 1, 2023. This change is consistent with industry practice amongst the City's comparison agencies.
8. **Other Miscellaneous Modifications.** Other minor modifications resulting in no or low cost were agreed to, primarily related to clarifying language in the MOA regarding incentive pays, employee leaves, assignment bidding procedures, no-strike language, and firefighter recruitment.

Police Labor Agreement

The POA represents 67 members: 46 sworn Police Officers and 21 non-sworn personnel including Communications Technicians (emergency dispatchers), Police Records Clerks, Property and Evidence, and Field Training Technicians. The MOA governing wages and benefits expired on June 30, 2021, and the POA timely notified the City of its intent to negotiate a successor MOA.

The parties began discussions in April of this year. As with the Fire unit, the negotiations were cooperative and professional, though suddenly and emotionally affected by the tragic loss of Detective Benedetti and injury to Detective Orozco. Working within Council authorized parameters, the City pursued a three-year contract calling for cost of living and market equity adjustments, continuation of the health insurance cost-sharing formula, and revisions to several non-economic areas to clarify and update MOA language.

The City, like many cities throughout the State, is continuing to have difficulty attracting and retaining Police Officers. Police turnover has averaged 13% per year for the past five years in comparison to an annual turnover of 10% citywide. In addition, there are currently four vacancies for Police Officer (not counting Officers that are out on long-term leaves or in backgrounds with other agencies) and two vacancies for Communications Technicians. In a market survey shared and agreed upon by the parties, Police Officers and Communications Technicians classifications are approximately eight (8%) percent under the market median.

The City's primary interests were to secure a long-term contract in a manner consistent with Council adopted Labor Relations Objectives, while also addressing the significant recruitment and retention challenges facing the Department. The POA strongly shared and endorsed the City's interest in addressing the recruitment and retention challenges facing the Department and in addition were seeking relatively minor increases in certain specialty pays and reimbursements.

After only five bargaining sessions, the parties were able to reach tentative agreement on a comprehensive successor agreement.

Key Components of POA Successor MOA

The following summarizes the key changes included in the successor POA MOA:

1. **Term of the Agreement.** July 1, 2021 to June 30, 2024.
2. **Salary Increases.** The following salary adjustments will provide annual cost-of-living increases to all unit members and help to address the significant recruitment and retention challenges facing the Department.
 - July 2021 5%
 - July 2022 5%
 - July 2023 5%
3. **Salary Step Changes.** The parties agreed to make the following changes to the salary ranges of Police Cadet and Police Officer:
 - The salary range for Police Cadet will consist of one step, paid 10% below Step 1 of Police Officer.
 - The existing Step 1 and Step 2 of Police Officer will be removed, with Step 3 becoming Step 1, making a total of seven steps (1-7). Steps 1 through 7 equal 95% of the next highest step, computed to the nearest \$1.00.
4. **Health Insurance Cost-Sharing.** For the term of the contract the City will maintain the current cost-sharing formula, as described in the Fire Union section above.
5. **Overtime.** The parties agreed to clarifying language pertaining to contract and statutory overtime for sworn and non-sworn classifications.
6. **Vacation Cash-Out.** The parties agreed to revise the existing vacation cash-out language to comply with federal law guidelines.
7. **Other Miscellaneous Modifications.** Other minor modifications resulting in no or low cost were agreed to, primarily related to clarifying language in the MOA regarding performance evaluations, master police program, expense reimbursements, employee leaves, equipment, and work and shift assignments.

Benefits of Successor Fire and POA Labor Agreements

1. A three-year term for the successor labor agreements provides for stable labor relations and security for the bargaining unit members by avoiding the time and expense of labor negotiations for three years.
2. Both agreements effect market equity adjustments designed to address the City's interest in being competitive with comparison agencies for recruitment and retention purposes.
3. The multi-year agreements provide certainty around wage and benefit costs for City budgeting purposes.

Unrepresented Management and Confidential Groups

The unrepresented management group includes 98 employees: two appointed officials (the City Manager and the City Attorney), ten department heads, and 86 other management employees. These are professional-level employees, exempt from the overtime provisions of the Federal Labor Standards Act (FLSA), including first-line supervisors, program managers, senior planner and engineers, analysts, and other professionals.

The City's confidential group includes seven employees in the City Administration, City Attorney, Human Resources Departments. These employees are designated as unrepresented in accordance with the Government Code 3507.5 and Employer-Employee Resolution 6620 because they are privy to information that affects employee relations and labor negotiations and therefore being represented could pose a conflict of interest.

Management and confidential employees are unrepresented which means there are no formal negotiations, as there are for other regular employees. The unrepresented groups met at the end of May to form a recommendation consistent with the City's fiscal forecast and equity amongst other employee groups, specifically SLOCEA. While the City anticipated conducting a compensation study in 2020, it was delayed due to the COVID-19 pandemic. The current commitment is to conduct a benchmark compensation study by February 2022 for SLOCEA and staff will be including benchmark classifications in the unrepresented management and confidential groups. As such, the unrepresented groups are focused on a one-year agreement to align and inform the next compensation resolution with market data.

The following is a summary of the key changes included in the Resolution for the unrepresented management and confidential groups:

1. **Term of Resolution.** July 1, 2021 to June 30, 2022
2. **Cost of Living Adjustments.** Effective the first full pay period in July 2021, provide a three (3%) percent cost-of-living adjustment to all unrepresented employees.
3. **Health Insurance Cost-Sharing.** Maintain the current cost-sharing arrangement for 2022, as described in the Fire Union section above.
4. **One-Time Increase in Vacation Cash-Out.** Currently unrepresented employees can cash out up to forty (40) hours of accrued vacation each year. To recognize staff for their continued commitment and dedication throughout the COVID-19 pandemic, increase the cash out to eighty (80) hours for the 2021 calendar year.

CONCURRENCE

The City's bargaining team reached a tentative agreement with Fire and Police pending Council approval, and both groups shared that the tentative agreements were ratified by a vote of membership on June 10, 2021 for POA and June 28, 2021 for Fire.

ENVIRONMENTAL REVIEW

The California Environmental Quality Act does not apply to the recommended action in this report, because the action does not constitute a "Project" under CEQA Guidelines Sec. 15378.

FISCAL IMPACT

Budgeted: Yes
Funding Identified: Yes

Budget Year: 2021-22 and ongoing

Fiscal Analysis:

Funding Sources by Employee Group	2021-22 Ongoing Cost	2022-23 Ongoing Cost	2023-24 Ongoing Cost	Cumulative Ongoing Cost
Fire				
General Fund	\$272,908	\$275,335	\$321,082	\$869,325
POA				
General Fund	\$388,527	\$446,093	\$489,579	\$1,324,199
Confidential				
General Fund	\$16,340	N/A	N/A	\$16,340
Management				
General Fund	\$267,572	N/A	N/A	\$267,572
Tourism Bid Fund	\$2,170	N/A	N/A	\$2,170
Water Fund	\$22,745	N/A	N/A	\$22,745
Sewer Fund	\$25,157	N/A	N/A	\$25,157
Parking Fund	\$5,559	N/A	N/A	\$5,559
Transit Fund	\$3,190	N/A	N/A	\$3,190
Whale Rock	\$5,376	N/A	N/A	\$5,376
Total All Groups	\$1,009,544	\$721,428	\$810,661	\$2,541,633

The cumulative ongoing cost for Fire, POA, and the Unrepresented Management and Confidential groups for all funds after all items are implemented for the successor agreements and resolutions is \$2.54M. The ongoing costs will become the new base cost for future years, will be incorporated into the long-term forecast, and are consistent with Council adopted Labor Relations Objectives.

ALTERNATIVES

Do not approve recommended changes to the MOAs or resolutions. Instead, direct staff to return to the bargaining table with Fire and POA and have further conversations with unrepresented staff. This alternative is not recommended as the resolutions and MOAs are consistent with previous Council direction and are within projected fiscal forecasts.

ATTACHMENTS

- A - Draft Resolution – Fire Successor Agreement
- B - Legislative Draft of the MOA with Fire
- C - Draft Resolution – POA Successor Agreement
- D - Legislative Draft of the MOA with POA
- E - Draft Resolution – Unrepresented Management Compensation
- F - Legislative Draft of Exhibit A to Resolution for Unrepresented Management Compensation
- G - Draft Resolution – Unrepresented Confidentials Compensation
- H - Legislative Draft of Exhibit A to Resolution for Unrepresented Confidentials Compensation
- I - Regular Employees Salary Schedule effective July 20, 2021
- J - Supplemental Employees Salary Schedule effective July 20, 2021
- K - Council Adopted Labor Relations Objectives
- L - Council Adopted Compensation Philosophy